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First Session—Twenty-eighth Parliament

1968-69

1969-70

THE SENATE OF CANADA
PROCEEDINGS
OF THE
SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

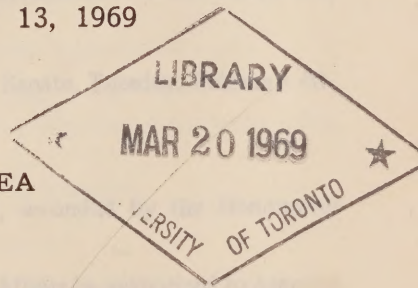
(No. 1)

THURSDAY, FEBRUARY 6, 1969
THURSDAY, FEBRUARY 13, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Mr. Willis C. Armstrong, Associate Dean, School of International Affairs,
Columbia University, New York City, U.S.A.



THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

6. The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:
 - (i) Treaties and International Agreements.
 - (ii) External Trade.
 - (iii) Foreign Aid.
 - (iv) Defence.
 - (v) Immigration.
 - (vi) Territorial and Offshore matters.

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER

Clerk of the Senate.

MINUTES OF PROCEEDINGS

Thursday, February 6th, 1969.

The Senate Committee on Foreign Affairs convened this day pursuant to notice at 2.00 p.m. in camera for the purpose of organization:

Present: The Honourable Senators Aird (*Chairman*), Cameron, Carter, Davey, Fergusson, Gouin, Grosart, Haig, Hastings, Lang, Martin, McLean, Pearson, Phillips (*Rigaud*), Quart, Robichaud, Savoie, Sparrow, Sullivan and Thorvaldson.—(20)

Present, though not of the Committee: The Honourable A. H. McDonald.

In attendance: Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

The Chairman made an opening statement in which he referred to his speech in the Senate Chamber on the 4th February, 1969, in the debate on the motion which framed certain terms of reference for the Committee. The immediate inquiry would be into Canada's relationship with the countries of the Caribbean area. The framework of the study would be in two parts: an examination of the general background of the area; and Canada's relations with the Caribbean countries. About five or six witnesses would be heard on Part I before the Easter recess and a similar number on Part II before the summer prorogation. A report of the Committee to the Senate might or might not follow. The Chairman would welcome suggestions from Committee members at all times. The Committee might feel it would be a useful procedure to have several members briefed in rotation to interrogate successive witnesses.

The Chairman said the first working papers of the Committee would be:

1. Monthly review of the Bank of Nova Scotia for August, 1968;
2. The Economics of Development in Small Countries with Special Reference to the Caribbean, by William G. Demas; and
3. Canada-West Indies Economic Relations, by Levitt & McIntyre.

Copies of these documents would be distributed to members.

Mr. Dobell, at the Chairman's request, then addressed the Committee. He explained the manner in which the Parliamentary Centre, if retained by the Committee, would provide services in respect of the Caribbean inquiry. He outlined a proposed scheme for the inquiry and referred to several witnesses the Committee might wish to hear.

It was agreed by the Committee that each witness should be asked to supply a summary of his statement in advance for distribution to members of the Committee.

The Committee authorized the printing of 800 copies in English and 300 copies in French of its proceedings.

The Committee appointed a Steering Committee composed of the Honourable Senators Aird, Grosart, Robichaud, and *ex officio* Flynn and Martin.

The Committee authorized the Steering Committee, subject to confirmation by the Committee, to negotiate contracts and agreements for goods and services reasonably and necessarily required for the purposes of the Committee.

It was agreed the Committee should meet on Thursday, 13th February, at 10.00 a.m., to hear its first witness, Willis C. Armstrong, Associate Dean, School of International Affairs, Columbia University.

The Committee then adjourned at 2.45 p.m.

ATTEST:

R. J. Batt,
Acting Clerk of the Committee.

Thursday, February 13th, 1969.

The Senate Committee on Foreign Affairs met this day, pursuant to adjournment and notice, at 10.05 a.m.

Present: The Honourable Senators Aird (*Chairman*), Carter, Davey, Ferguson, Flynn, Haig, Martin, Pearson, Quart, Robichaud, Sparrow and Thorvaldson.—(12)

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

The Chairman outlined briefly the Committee's plans for forthcoming meetings. He emphasized that the Committee would restrict its initial studies to the Caribbean area, and then introduced as the first witness on this subject:

Willis C. Armstrong,
Associate Dean,
School of International Affairs,
Columbia University.

The witness made a statement; he was questioned thereon, and thanked by the Committee.

At 12.30 p.m. the Committee adjourned until 11.00 a.m., Tuesday, February 25th, 1969.

ATTEST:

E. W. Innes,
Clerk of the Committee.

Note: A map of the Caribbean area is appended to this day's proceedings.

BIOGRAPHICAL INFORMATION

Mr. Willis C. Armstrong is an Associate Dean of the School of International Affairs of Columbia University.

Before joining Columbia Mr. Armstrong had a twenty-eight year career with the United States Government. After some years of graduate study in Russian history at Columbia, he went to Moscow as an Embassy translator in 1939. During the war he handled problems related to Shipping land-lease supplies to the USSR, and later served as Director of the Russian area of the War Shipping Administration. He returned to the State Department in 1946, and held a variety of positions in the Economic Area, dealing with commercial policy, commodity problems, and security controls over trade. He was the U.S. Delegate to International Rubber Study Group Meeting in 1950-1958, and he also was on various U.S. delegations to meetings on other commodities, and to inter-American economic meetings. In 1957 he served briefly as Acting Assistant Secretary of State for Economic Affairs.

Mr. Armstrong became Counselor for Economic Affairs at the American Embassy in Ottawa in 1958 and in 1960 was made Deputy Chief of Mission and supervisory consul general. In 1961 he was given the personal rank of Minister. In 1962-64 he was Director of the Office of British Commonwealth and Northern European Affairs in the State Department. He went to London as Minister for Economic Affairs in the Embassy in 1964, and he retired from the Foreign Service in September, 1967.

Dean Armstrong received his B.A. from Swarthmore in 1933 and his M.A. from Columbia University in 1934. He was briefly a lecturer at the American University in Washington, and for twelve years was lecturer on Soviet affairs at the School of Advanced International Studies of Johns Hopkins. He received a Rockefeller Public Service Award in 1956.

THE SENATE

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Thursday, February 13, 1969

The Senate Committee on Foreign Affairs met this day at 10 a.m.

The Chairman: Honourable senators, this morning we begin a series of meetings in which the committee will examine Canada's relations with the Caribbean region.

Before introducing our witness for this morning, Mr. Willis Armstrong, may I take the opportunity to report briefly on the discussion in our organizational meeting last Thursday when the committee decided how it should function in the months ahead.

We have decided that the Senate Committee on Foreign Affairs should henceforth undertake a regularly scheduled program of work, involving serious in-depth examination of foreign policy issues of concern to Canada. There seems to be general agreement that it would be in the best interests of obtaining an effective result if this committee were to focus on a specific area so that Canada's relationship thereto could be particularly examined. In other words, the committee should address itself to areas of study that are of prime importance to Canada, but on an overall and long-term scale.

We see the expanded role for this committee as being one of the means through which senators can play a continuing and active role in the Parliament of our country. We recognize in full that the approach we have decided to follow is necessarily experimental and that we shall have to be prepared to be flexible and to adapt our practices as the program unfolds. In trying to work out a program for the Senate, I think it important to bear in mind that our work and the work of the Committee on External Affairs and National Defence in the House of Commons should be mutually complementary.

In order to provide support for our work, your committee has authorized the entering into of an agreement with the Parliamentary Centre for Foreign Affairs and Foreign Trade. The Director of the Parliamentary Centre, Mr. Peter Dobell, who is on my left, will act as adviser to the committee in developing

its program. He has also recruited to his staff Mr. Bernard Wood, now at Carleton University, who will act as the full-time research assistant to the committee after his comprehensive examinations for his M. A. have been completed in early May. We believe that these arrangements should contribute to the effective work of the committee.

I have already mentioned that the committee has decided that it should begin its work with an examination of Canada's relations with the Caribbean region. As you may recall in the Senate on the evening that this motion was presented by Senator Martin I made some remarks from which I should now like to quote because I think it more or less summarizes what I have in mind. As I said in the Senate on February 4:

I believe that the Caribbean area presents to Canada a particular challenge inasmuch as most of the problems plaguing the peace of the world are there present—the problems of size, of race, of economic need and of differing political and social goals. Inasmuch as Canada cares about these issues, the Caribbean allows a unique opportunity for Canadian involvement. Not only is the region of a size to attempt considerable and perhaps decisive impact by a Canadian program, but there is already a predisposition in the area for a Canadian presence. Furthermore, Britain's withdrawal and the apparent disinclination of the United States to increase its commitment in the area, leave a neat geographical sphere of influence where Canadian effort will not be overshadowed.

I would like to speak briefly about the program. The committee's program of work is divided into two main phases. Prior to the Easter recess the committee will hear expert witnesses who will discuss the region and its problems. This will provide the background for the second phase of our examination, which will involve considering in detail Canada's relations with the countries of the region.

We have already arranged for three witnesses. In addition to Mr. Armstrong, the committee will hear on February 25 Mr. William Demas, now Economic Adviser to the Prime Minister of Trinidad and Tobago, who will be appearing in his private capacity as the

author of a very interesting study "Development Problems of Smaller Nations", copies of which are being circulated to all members. I understand copies have now in fact been distributed to all members of the committee. He will talk about development problems in the region. The following week, on March 3, the committee will hear Mr. John Plank of the Brookings Institute in Washington, who will talk about the problem of political development in the region. He will give particular emphasis to radical movements, consider the impact of Cuba on countries in the region, and examine the prospects for Cuba's possible reintegration into the inter-American system.

I have mentioned that committee members are being encouraged to read Mr. Demas's book. They have also been provided with copies of an excellent study by the private planning association entitled "Canada-West Indies Economic Relations" and a useful monthly letter for last August by the Bank of Nova Scotia entitled "Spotlight on Development in the Commonwealth Caribbean".

I turn now to today's witness, Mr. Willis Armstrong, presently the Associate Dean of the School of International Affairs at Columbia University. As Mr. Armstrong's biography has been circulated to members of the committee, I do not propose to review his most distinguished career. On this occasion I think it important to note only that he has held a number of senior positions in the State Department. He was at one time responsible for British Commonwealth Affairs which, of course, includes the Commonwealth Caribbean countries. As a specialist in economic questions, he has also had considerable experience with Latin American countries and has had personal experience in a number of countries in the Caribbean region. Mr. Armstrong by his own admission is not an academic specialist on the Caribbean, but there is no doubt that he is extremely well qualified to open our examination of this complex region.

At short notice, following the request of members of the committee last Thursday, Mr. Armstrong has provided a brief outline of the main points which he wishes to cover. Mr. Armstrong will now make some introductory comments and will, I hope, focus in his concluding observations on some of the specific problems which governments face in dealing with the Caribbean region. I believe that this type of background will be invaluable to us ultimately in assessing Canadian policy toward the region.

As decided by the committee, we will follow the procedure of two senators taking the lead in any questions that may be presented to Mr. Armstrong after he has completed his remarks. Senator Thorvaldson, the former chairman of this committee, and Senator Fergusson have undertaken to lead the questioning and, of course, when they are finished the meeting is open to all senators present to participate in questioning and in the general discussion that no doubt will follow.

Mr. Willis C. Armstrong, Associate Dean, School of International Affairs, Columbia University: Mr. Chairman and honourable senators, it is a privilege and pleasure for me to be with you. It is always nice to get off campus for a day.

I can sympathize with people in other universities who have problems. I thought, when I came to Canada yesterday, that I was coming to a place of great serenity; but someone handed me the *Montreal Star* on the plane and I noted how people at Sir George Williams University feel. We did not have quite such damage at Columbia, but we did have some.

The Caribbean area is, of course, a fascinating and colourful place. I suppose one must think about it historically, in terms of its Europeanization, from Columbus down.

What happened in the Caribbean in the sixteenth, seventeenth and eighteenth centuries reflected European politics and European expansion.

The area is full of the wrecks of sunken ships and evidences of arguments between the British, the French, the Spanish, the Dutch and other maritime explorers.

The independence of some of the States came in the early nineteenth century—the Spanish speaking states, Colombia and parts of Central America, but not Cuba.

French speaking Haiti also became independent, but Cuba and Puerto Rico remained Spanish until the end of the nineteenth century. Because of that fact and because of a good deal of American interest in the area, you find Cuba and Puerto Rico at the moment in the odd position of being at the opposite ends of the spectrum, so to speak, of Spanish-speaking areas in the Caribbean, with Cuba being under the Castro regime and Puerto Rico being part of the United States, although not a state.

Of course, most of the people in the Caribbean are descended from immigrants. The original inhabitants mostly died off as a result of contact with the Europeans. In many cases it was a simple matter of lack of immunity to European diseases, particularly children's diseases. There were not many Indians left, at least in the coastal areas, after extensive contact with the Europeans.

The Europeans brought in large numbers of African slaves. Apart from ports, navigation, and the strategy of sea power, the area has been dependent upon tropical agriculture, which paid well under slavery or under low wage conditions.

The termination of the slave trade into the area still meant a very low standard of living amongst the people, because there is little or no alternative to working on a sugar plantation in an island that has little or no other economic activity.

Sugar, coffee, and bananas are the staples of agriculture in the area. Almost any area in the Caribbean will grow bananas. Sugar is suitable for many of the areas; coffee in the more temperate highlands is also an important crop.

Mining and mineral products became, after the beginning of the twentieth century, a very important item. Oil was a great discovery in Venezuela and later iron ore was found in vast quantities. Oil in Trinidad has been a source of growth. There is not much in the way of minerals up through Central America.

The other part of the economy depends on geographical location. A Panamanian diplomat told me once: "We do not need to worry about economic development; we have the Canal and you need the Canal and we will make you pay for it enough so that it will take care of our development problems." This illustrates the simple fact that the Republic of Panama has its own special economy built on the need of others for the geography of the area.

Cuba has again a similar strategic interest for the United States or for any country with major, shall we say, global strategic interests. It is worthwhile remembering that the United States still has a navy base in Cuba, which is still functioning and which was a part of the transaction whereby Cuba's independence was assured. There is not much conversation between the United States and Cuba about the base. Sometimes somebody gets over the barbed wire somewhere or other, or gets through it. Some people do not make it, trying to get in. But the base is still there. This illustrates the point that, as long as sea power is important, the Caribbean is likely to be of interest to countries with large navies and global interests and, as they see it, responsibilities.

One of the functions of course of areas with strategic importance is to make them pay something for the benefit of the countries that process them, and to gain income out of the people who are interested in the area for that reason. In this sense, the Cubans are in a position under present management of being able to get a good deal of, shall we say, investment from the U.S.S.R., economic investment, simply because it is politically useful to the U.S.S.R. to have Cuba maintain its economic stability and political strength in the context of the current global political situation.

This does not mean that the Russians control the Cubans, but Cuba is very much of interest to the Russians and the Russians put quite a bit of money in it.

The Caribbean area is a real patchwork of great variety. Jamaica is an independent country with political institutions inherited from the British. So is Trinidad and Tobago. So are, in effect, all the little Leeward and Windward Islands, which were or are still British. In effect are the Bahamas. Technically, the Bahamas and the Leeward and Windward Islands are

not independent of Great Britain, but they are in effect little countries with their own character. The other day Anguilla declared itself an independent republic—probably the smallest independent sovereignty on record. I see that the British are sending someone to talk to them, and I suppose there is some problem of whether he gets ashore or not. But this is not the first time the British have had rebellious colonies.

Down in the middle of the Windward and Leeward Islands, there is Guadeloupe and Martinique, as French or as French creole as any territory you can find. It is fascinating to visit those places and to discover that they are departments of France, administered by prefects, just as any department of France is administered.

The same thing applies to French Guiana, which is as far off that map as you go before you reach Brazil down to the southeast. This is also a department of France. France pays substantially to keep these three departments functioning. They are afflicted by overpopulation and lack of resources.

There are some Dutch islands mixed in, too. The Dutch settled Surinam, or Dutch Guiana, which is an extremely colourful and interesting place.

The Prime Minister, at the time I visited Surinam, was a 305-pound gentleman, of a very high level of pigmentation, who spoke only Dutch. You rather wondered whom he would talk to, and about what, outside of the Dutch.

In the Dutch territory, or what was Dutch territory, a large number of people came from Indonesia, as in Trinidad and Tobago a large number of people came from India. You also find a very substantial admixture of Asians, especially Indians, in Guyana, with Mr. Jagan and his followers, and in Trinidad and Tobago. Going to a dinner party in Surinam is like being at the General Assembly of the United Nations: There are people from absolutely everywhere, who are all part of the population of Surinam, who are all happily speaking Dutch together and all seemingly getting along very well together. It is a little island of a country set against a jungle and bush background.

When you come to Venezuela you find a very modern and prosperous country. It is probably the most prosperous Latin American country. It is rich in oil and other resources. It has a low ratio of population to resources. It has made good progress in representative political institutions, and has a high degree of political stability, despite its long history of very dictatorial regimes.

As you work your way around you come to Haiti, which is probably the most hopeless place in the Caribbean. It has a population of about three million people who speak only French and who do not have any place to go, so to speak, if they wish to improve

their lot. They have no economy, in effect. A friend of mine once assigned there as an economic officer in the U.S. embassy wrote me saying that it was silly for him to be there; the embassy did not need an economic officer because the country had no visible economy.

Puerto Rico is an interesting example of a prosperity which is dependent in large part on the fact that it is in effect outside the United States income tax area, but inside the United States customs area.

This has been a device which has created a great deal of economic opportunity in Puerto Rico, and has really been responsible in large part for the enormous growth in the Puerto Rican economy which has occurred in recent years.

The Dutch territories do pretty well. There is Aruba and Curaçao, islands off Venezuela which have practically no visible resources other than their geographic location. They do well as free ports and as oil refining areas. The theory was that you took the oil out of Venezuela and refined it in territories where you were less likely to have your refineries nationalized. The Venezuelans got around this, eventually, by providing that a certain share of refining had to take place in Venezuela as a condition for concessions granted; a sort of stand-off arrangement developed between the people who refined in Aruba and the people who control Venezuelan oil.

Over at the other end of the Caribbean you have another fascination situation in British Honduras. I am one of the few people who have visited British Honduras. By chance I was there on the day that the Guatemalans broke off relations with the British, in 1963. Our consul, and I were sitting on top of a Mayan ruin looking out into Guatemala. We saw a lot of military planes taking off and landing and we wondered what it was all about. We drove back and found that the Guatemalans had broken off relations with the British. The dispute arises from the fact that they claim the entire country, and consider Belize as a part of Guatemala. This is not quite the way people in British Honduras wish to see it. They are mainly Negro, English-speaking, with British political institutions and education. They number about 90,000, and they are not interested in being dominated by the three and a half million Guatemalans, most of whom are of Indian origin and Spanish-speaking. They are trying to maintain a precarious independent existence there, but against considerable odds.

A fair amount of Canadian investment in citrus is to be found in British Honduras; there is also some foreign investment in sugar plantations. But British Honduras is an example of a very remote and out-of-the-way place. The only way to get there from Jamaica in 1963 was to take the weekly plane which leaves at four o'clock in the morning, on a Tuesday, as I recall it. The theory seemed to be that if one really had to go to British Honduras one could not mind

taking a plane at four in the morning. Apparently the thought was that nobody would go voluntarily.

The British have a commitment to defend British Honduras from the Guatemalans, but there are few roads on the Guatemalan side, so that the Guatemalans would have trouble getting at British Honduras. The British troop detachment is very small.

These are just samples of the kinds of diversity and separation one finds in the area. There are divisions of language, with four main languages in the area. There are divisions of distance. Inter-island communication and inter-country communication is very poor, and was almost non-existent before the airplane. Although airplane does provide links all around, it is nevertheless not a means of communication that is within the income capabilities of most of the people of the area.

There is very little trade between these countries because who wants to buy somebody else's bananas when he has bananas of his own—or coffee or sugar. Nearly all the countries depend on the sale of these or other products to industrialized areas.

The most important growth industry for the small countries is, of course, tourism. In this there is a real future. They have a lovely climate most of the year and they have beautiful beaches. They have no vast stretches of real estate, but they do have some, and they will be glad to sell you a place for a winter home or a hotel. The real economic growth in the small island has to be, I think, in the tourist field. This is a hard thing, however, when you talk about indigenous political institutions, because a tourist economy is a satellite economy which becomes too dependent on the customer and his goodwill. They are having some problems in the Bahamas where for the first time the descendants of the original pirates, or the "Bay Street Boys" as they are called, have lost their political power to an essentially Negro group based on popular support. And this Negro group is doing a very responsible job, it seems to me, in realizing that the Bahamas have no future except in terms of tourism and finance, and at the same time maintaining their own political integrity and their own ideas. And this is a hard thing to do.

The British have not abandoned their territories, nor their interest in independent Commonwealth countries, but their contributions are now very limited. They still spend money on the little islands, but not much, and they do not have much to spend. There have been special problems in Guyana and British support has been needed, for political stability and economic growth, and here the United States has helped. The Venezuelan claim to a chunk of Guyana, or most of it, creates a problem of a special nature.

There are any number of conflicts between Caribbean countries, and one must remember also that islanders are notoriously suspicious of people from

other islands. This is even true down on the coast of Maine where I have spent a lot of time. I have seen a Maine town divided down the centre on the question of whether a school should be built on one island or another. The islanders of the Caribbean are similarly disinclined to co-operate with each other. They will tell you gruesome stories of people on other islands. People from Barbados were experts in administration, and the British used a number of Barbadians for administrative work in the other islands. Resentment followed, not against the British, but against the Barbadians who came to govern them. Now of course Barbados has become an independent country. I suppose one should remember also the West Indies Federation which was an interesting and encouraging idea and one which was supported enthusiastically by Britain, the United States, and Canada. However, it foundered partly because it involved differences between the peoples of the different islands and territories.

The Chairman: I think the Barbadians are going to be particularly upset because they didn't get onto this map.

Mr. Armstrong: They are just off the map which is before us. Guyana also is not on their map, as you can see, it is quite a long way from Guatemala in the west over to the Guianas in the east.

I think that perhaps I should conclude my presentation by pointing out that there is a question of the attitudes of these people and to whom they look outside. They no longer look to Europe, except as, in part, a market for some of their produce, and as a small source of development capital. There is some European Common Market capital which goes into Surinam and there is some French money going into French territories and some Dutch money. There is some British private capital and a fair amount of British public funds. A lot of British private money goes into the Bahamas, not for the development of the Bahamas but because of the favourable climate of operation in the Bahamas as a centre for corporate activity and finance. The people in the area cannot help but look to the United States as the nearest and biggest power influence and economic influence in the area. This is bound to happen whether the United States likes it or not.

I want to emphasize that I am not speaking on behalf of the United States Government; I am expressing my own entirely personal views. Historically the United States has been involved with Cuba since the Spanish-American War, and since that time it has had Puerto Rico as a possession. It has the Virgin Islands as a possession, having bought them from Denmark. The United States in the course of time has intervened militarily and politically in a number of Caribbean countries, notably in Haiti, the Dominican Republic, Nicaragua and Honduras, and in Panama. United

States companies have substantial investments in Venezuela and Colombia, and the United States cannot help but get interested, from the standpoint of strategy, naval affairs, or navigation, in anything affecting the Panama Canal. This leads to an awkward relationship. The people in the area look to the United States as a possible customer and as a possible investor, as a political influence and as somebody from whom they try to get something. If you list all the individual independent and semi-independent sovereignties in the area, each involving something different, you will conclude that the person in charge of Caribbean Affairs in the State Department has his hands full, particularly since Mr. Castro took over in Cuba. I am not trying to deal with the rights and wrongs of the situation or how we got this way, but the fact is that the United States cannot avoid being involved in all of these areas, simply because of its geographical location and because of the fact that we have some 200 million people with enormous economic and military power, and we are talking about an area which is seen to be in the front-door yard, at least by strategists.

At the same time the people in the area look to the United States as customers or as investors and also look to the United States as a potential problem for them because it is so big and powerful. They wonder how they can maintain their own integrity in the circumstances, take advantage of the situation, and yet not lose any control of their own affairs.

Now the question arises: does the United States have a Caribbean policy? I think it is fair to say the United States does not. The United States does have a military-strategic policy in the Caribbean; this much is clear. The United States has a general political policy in the sense that it hopes there won't be any more Cubas in the area. It has begun to pay some attention to the reasons why there should have been a Cuba in the first place and what could cause another one. And these causes are all there; under-employment, overpopulation, inadequate resources, inadequate capital, political despotism of one kind or another. When one looks at the despotism in Haiti one cannot help but recoil in horror from it. In political terms, the United States has policies which are intended to be individually tailored for the individual country. In general the United States has stopped intervening militarily in Caribbean countries. The recent exception of the action in the Dominican Republic has been rather difficult to explain, both in Latin America and elsewhere.

Senator Martin: Would you mind repeating that last statement? I did not hear you.

Mr. Armstrong: The policy of the United States from the beginning of the Roosevelt administration was expressed as a good neighbour policy. The United States said it wasn't going to intervene militarily in the

affairs of nearby countries in the Caribbean, the only case since that time in which the United States has intervened in internal affairs with military force was the case of the Dominican Republic in 1965. This is something that has needed an explanation to many people. But certainly there is no strong interest in the United States Government that I am aware of in a policy of such intervention. One always gets far more in the way of trouble than it is worth.

The United States has tried in the economic field to encourage more integration within Central America. There is the Central American Common Market of five countries from Guatemala down to Costa Rica; President Johnson last year offered very substantial aid to this group of countries if it would be of assistance in helping them give substance to their plans for a common market, so that their industrialization could take place on the basis of the unit as a whole. But this project has thus far been delayed by individual national suspicion, one country seeking advantages over the other, and the common market has not got very far forward.

The United States has a policy towards Venezuela, it has a policy towards Colombia, it has a policy towards Haiti. The United States has a policy towards Cuba which has one current expression in a lack of direct air transport. This was one reason I decided to come to Canada by Air Canada rather than Eastern Airlines, because I did not have time for an enforced Caribbean holiday.

Senator Martin: You do not think that Air Canada would have flown into Cuba against one's will?

Mr. Armstrong: This could happen to any air line but it has not happened yet, whereas Eastern Airlines has been quite vulnerable.

The policy of the United States towards the Castro regime has been a matter of great attention in the United States Government and great attention within the Organization of American States. It has been based on certain assumptions which do not over time seem to have been proved entirely correct.

There is an atmosphere of real mutual hostility. It may be that steps can be taken to modify it. I think that there are possibilities that the United States might begin to change its outlook a little, but I am not at all sure. We now have so many Cuban refugees in the United States that they constitute a political force of their own. They and others can bring pressure on the government, in terms of its policy towards Cuba.

Frankly, I think the United States wishes it did not have to worry about all the little islands and little sovereignties in the Caribbean, but every so often it stops and thinks that maybe it should, for reasons of strategy, reasons of general well-being in the area.

It is difficult to have a successful society, as we have in the United States, with highly unprosperous ghetto areas in big cities; in the same sense, it is really in the long-term not thinkable to have amity in the Caribbean when there are some really outright poorhouses so close to our shores. One cannot help but have the course of events in the area influenced by the fact of the enormous poverty and backwardness in some parts of it.

One thing that is clear about United States policy is that it wishes there were more countries from outside the Caribbean who were more interested in the area than they seem to be. One of the depressing things about British retrenchment has been the fact that the British are no longer a factor of major importance, so to speak, in the Caribbean. In general, the Europeans are not a factor. What the Soviet interest in the Caribbean may be, how positive it is, is hard to tell. There is a certain nuisance value to the Soviet Union in its relations with Cuba but I imagine that the Soviet Union has some problems in dealing with its Cuban client and may find itself a little baffled on occasion to know what to do about it besides paying some more money. But what this leads to, I am sure, is that a formulation of Caribbean policy in the United States Government would say that it hoped Canada would be more interested and active. It would also hope that by saying so it would not drive Canada away. Mr. Chairman, I will stop there.

The Chairman: Thank you very much, Mr. Armstrong, for your very informative survey. I would like to thank you not only for the content of your remarks but also for the delightful and frank manner in which you have expressed your own opinions, loaded with some amusement, particularly your reference to the "Bay Street boys of the Bahamas"—and of course the Canadians have a similar problem of their own located in Toronto.

I would call on Senator Thorvaldson to lead the questioning.

Senator Thorvaldson: Mr. Chairman and Mr. Armstrong: I am positive that everybody around this table is fascinated with what you said and with the original manner in which you have been able to compress a tremendous amount of information into a few words and into less than 45 minutes. I am going to express the hope that the clock will not press too heavily on this meeting, because this is tremendously interesting as well as an important subject.

First, I would like to make a facetious remark in regard to Puerto Rico. I have been wondering how it is year after year, particularly this year, I am finding more of my friends particularly from the United States taking winter holidays in Puerto Rico, but when you made a remark about Puerto Rico being within the customs area but not the income tax area of the United States, I think that was a fairly good indication perhaps of the attraction for tourists and others.

The first question I would like to submit to you is the question of stability of government in those areas and particularly in the Jamaicas and the islands which were under British supremacy for all those years and which are now republics.

I think we as Canadians recognize that probably the basic factor in whether we can establish quite strong and profitable associations with them in business trade as well as in tourism, is the question of whether there can be political stability. I am not speaking necessarily in the case of complete democracy such as we have, because that is pretty difficult in those countries. But even if there is a form of dictatorship which we may have to tolerate, for instance, is the power to maintain public order liable to be sufficient to give us an opportunity to make successful contacts and greater contacts particularly in trade and tourism and so on. I think political stability is one thing that I am most interested in hearing about.

Mr. Armstrong: I think that in the British territories, the former British territories and present British territories, you have a pretty good prospect for political stability. Jamaica and Trinidad have been cruising along reasonably successfully since they became independent. Barbados has, too.

The real troubles have been in some of the smaller islands, where there was some problem about the access to public funds for private use by some of the local officials. There was a problem in either St. Vincent or St. Lucia . . .

The Chairman: St. Vincent.

Mr. Armstrong: St. Vincent. There has been a problem off and on in the Virgin Islands, the British Virgin Islands, and there is yet—but these are very tiny comic opera situations usually and in the long-term the British will carry out their responsibility for maintaining law and order, and for encouraging a reasonable political process. I do not feel badly about it in those terms.

Guyana is in a somewhat different situation, because of the division between the Negro group and the East Indian or the Indian group. Mr. Jagan has a philosophy of Government very much on the left side. If he gets back into power, he will obviously pursue a course not too favourable to private investment and that sort of thing. On the other side you have Mr. Burnham who, in effect, is the leader of the Negro group. He controls the Government, and he just won re-election. But the birthrate figures are against Mr. Burnham in the long term. There are going to be more people of Indian background than Negro background in the area, and in due course the election could go the other way. That does not necessarily mean that Mr. Jagan will come to power, because Mr. Jagan may pass from the scene as a political leader. There might be another Indian leader who might not at all be a leftist. The Indian

population is not necessarily leftist, but the one leader around whom they coalesce happens to be a leftist. He is a very attractive and intelligent man. I had an hour's conversation with him once and found him a very interesting person indeed.

I think the Venezuelans have done remarkably well in respect to political stability. I was in Venezuela in 1958 on a short mission, just after they had overthrown the Jimenez dictatorship. The Junta of moderate conservative people was in charge, and it was interesting to meet with the Junta. This situation resulted in no police force in the country, because they had all been agents of the Jimenez regime and had been hunted down by the population as soon as the regime was overthrown. There were literally no police in Caracas. Every thing seemed to be quite serene, but it did make you wonder what could happen.

It was following that, I think, that the difficulties occurred when Vice-President Nixon visited Venezuela. Generally, the Venezuelans have since that time done remarkably well in maintaining democratic institutions and having free elections, against a background of real tyranny for 100 years in Venezuela.

Columbia is more complex politically and there are still some serious difficulties there. But it is a country with an elite of a high level of education. There are several reasons to be fairly optimistic about Columbia.

Panama, of course, is in a state of some political instability at the moment. This is a fairly normal type of Panamanian political instability. It consists of arguments among the elite as to who is to be in charge of the Government, and it does not seem to have much to do with any basic social movements.

Costa Rica has had a good functioning democracy for a long time. Nicaragua is a family-operated Government, pretty much. Honduras is pretty backward and primitive in its economy. Guatemala is riven with strife of left versus right. The American Ambassador, who was assassinated there, was a man I knew quite well in the foreign service. He was a fine, reasonable, gentle man, who was trying to help Guatemala.

There are endemic Latin American problems of military versus civil leaders, with efforts at democracy often defeated. Central America is no different from other Latin American countries in this respect. The Dominican Republic had a record of instability, as we are aware, following a long period of the most oppressive kind of dictatorship, when the roots of democracy tend to dry up.

As I say, Haiti is under a dictator who is particularly unpleasant. The Haitians apparently accept him because, as they say, "Papa Duvalier has the big magic", and, since they still seem to believe in voodoo and magic pretty much, they accept what he does.

I would say that the Cubans have achieved a reasonable stability of their own in their form of Government, but hardly of the kind that encourages private trade or private investment, shall we say.

As one can see, political stability prospects are a very mixed bag all the way around the Caribbean.

Senator Thorvaldson: Just following that up, Mr. Armstrong, in regard to the ballot or suffrage in the Caribbean, in Jamaica, for instance, is universal suffrage exercised to any extent such as we know it in Canada or the United States, or are there other political pressures that create governments?

Mr. Armstrong: In all the territories that are not independent, that is, still colonial territories, I think they have suffrage for local purposes. They elect some part of their Government. The British colonial system has a great deal of variety in it, but in some cases they have what is called a legislative council in which half the members are appointed by the British Government and half are elected. They have been moving steadily, in these little, tiny legislatures on these islands toward totally elected legislatures. I do not think there are any suffrage problems there, but what can they do for themselves? There is not much they can do. They can deal with local police matters and that sort of thing, and they can have land laws that will encourage people to invest and buy property and develop it, but that is about all.

In the French territories they have suffrage, but they vote in the elections in France. But you know what that is; you vote for the power in the centre and then you wait to see what comes back. They do not have much control over their local affairs.

The Dutch territories have full suffrage. That is, the former Dutch territories, Surinam and the Antilles. I do not know of any limitations on the exercise of suffrage in either Trinidad or Tobago.

Senator Fergusson: Mr. Chairman, first I would like to say that this committee certainly owes a deep debt of gratitude to Mr. Armstrong for coming to us. Certainly, if the rest of our meetings of this committee on this special project are anything like this one has started to be, we will have every opportunity of becoming experts in the field. Mr. Armstrong is so very knowledgeable and has referred to so many things which I would like to know more about that I find it difficult to pin down just what I would like to ask about. However, I will start with one or two questions and then give someone else a chance. I would like to know if the gap between the very rich and the very poor, which I have seen down there, is lessening at all. Are the social conditions for the poor people improving? It seems to me that they have to have more education before this can be so. My question is really on education. It seems to me that it is basic both to economic and social improvement of the life of the

country. What is the standard of education? Is it improving? Are the Americans helping with education as Canada is trying to do by sending teachers down to many places in the West Indies and by bringing students back.

Mr. Armstrong: Well, in the first place I would say that the system in Venezuela is a pretty good educational system for a Latin American country. They spend a lot of money on it. One of the difficulties is again endemic in Latin America. The universities have lost control to the students, and this is the great weakness of Latin American universities—this student power, in effect, to hire and fire professors and dictate grades, for all practical purposes. They are totally out of control in that sense. This is just one reason why for higher education of a genuine nature people often go to Europe or to North America. But at the elementary and secondary level it is not too bad. I think Colombia has a fairly good standard, but it is a country so badly torn up geographically with high mountains and inaccessibility that this makes for difficulties. The Costa Rican system is all right. The others, I would not think amount to very much in terms of ordinary education. The Cubans have done much for education since the Castro regime came in. The University of Puerto Rico tries to do a great deal in terms of contact with the other Spanish-speaking people in the area. It aspires to be a centre of technological training in contact with the Latin American countries, but of course Puerto Ricans and the people of the nearest islands—the Windwards and Leewards—do not have a common language. Puerto Ricans mostly speak Spanish; a lot of them speak English, but essentially their normal language is Spanish. One of the difficulties in this area has been that the United States policy in aid has been in terms of the Alliance for Progress, and the Alliance for Progress was within the framework of the Organization of American States. All the aid and technical assistance available was essentially for Latin American countries and not for the ex-British or present British territories because the assumption was that the British would take care of their own. It was a relatively small area and the British were looked upon as the people who could do this. One thing was done, however; the United States had an aid program to the West Indies Federation, but when the federation broke up several development projects failed, because they were geared to the Federation. Institutionally the United States put its money on the Alliance for Progress, and this left out other areas.

Senator Fergusson: Did the United States put money into the University of the West Indies?

Mr. Armstrong: I think so; there was certainly support for it in principle. There are a number of private university interests in the area. We have a substantial aid program now running in Guyana which

is not unrelated to university work there, and I would say in general terms our aid program puts a heavy emphasis on education. Certainly education is a great need.

Now, as to social betterment and the gap between the rich and the poor, it seems to me this relates to how fast the population is growing and how can the economy possibly keep up with it. In many of these countries the best you can do is to have an annual rate of G.N.P. increasing as fast as the population, if you even want to keep in the same place. In Haiti you cannot even do that because there is not much basis for growth. So there has to be an outlet for people to move from the area especially in cases where the country or unit is too small to expect industrial development. Countries of the Caribbean need both economic development and places to which their people may emigrate. They are all right for entrepot, trade, plantations and tourism, but they cannot support a growing population. Thought has to be given to emigration from these territories to somewhere else where they can get into the industrial process. New York seems to have half the Puerto Ricans, and they are presumably part of the industrial process.

Senator Fergusson: Taking the question of tourism, and the possibility for its development, it seems to me that what is happening is that they are catering to the very wealthy people. They have these beautiful plush hotels. Could not this be developed on a medium level for middle-class people who would be able to travel and stay in the West Indies?

Mr. Armstrong: I think this is happening. It is happening in many places. Certainly it is happening in Puerto Rico, where you can have quite an inexpensive holiday. However, we must remember that fundamentally after a while you run out of beaches and space. With the level of affluence in North America, if everybody in North America were to decide—those who could afford it—to have a Caribbean holiday all in the same year, you would have the world's worst traffic jam. The number of people in the world is increasing by leaps and bounds but the available seacoast is not, and certainly the available attractive seacoast is not, so that there is a real limitation on this. But you can find a good many very modest establishments where you can have an inexpensive holiday in places like Grenada and Dominica and so on. In the Bahamas, for example, Nassau is overbuilt with relatively modest establishments. For example, there is a Howard Johnson's there.

Senator Fergusson: Yes, but in many cases you run into Hilton hotels and hotels of that type.

Mr. Armstrong: Yes, they come first. But then you get smaller ones coming later. One country in this situation is Malta, with 300,000 people on two islands. Tourism is the main economic growth feature. They

are starting with some big hotels, and smaller hotels are following. Of course, they are in the sterling area and get a lot of British traffic, but the same situation can develop in the smaller islands here. I think more winter home building is also in order where people could have a cottage.

Senator Fergusson: That is increasing too. People are going to stay there permanently.

Mr. Armstrong: Yes. And you could have this happening in Haiti, the Dominican Republic and other places if you had any feeling of political security, which you don't fundamentally get there, as you do in the British islands. Then some of the islands are themselves too crowded. Martinique is a beautiful island, but it is packed with people and the towns are not particularly attractive. There are a few lush hotels on the shore and there is room for more, but they need capital to build roads and other necessary community services. Most of the islands are not in a position to provide this infra-structure themselves.

The Chairman: In the interests of order, I notice we have present two *ex-officio* members of the committee; there is the Government Leader in the Senate, Senator Martin, and Senator Flynn. I think if Senator Martin has any questions he could ask them now and then we will come to Senator Flynn.

Senator Martin: I have some question that I would like to ask, but I am prepared to defer to others. In fact I have a number of questions but I am prepared to wait until some other senators have spoken.

Senator Thorvaldson: We would certainly like to hear your questions, Mr. Leader.

Senator Martin: May I say to Mr. Armstrong that I am very happy that the chairman of our Committee, in whom we have great confidence and whom we all want to support, has been able to arrange for your appearance at this committee, in being the initial witness in the new reorganized committee that he has established. I recognize in you, of course, a great friend of Canada and one who has had a very distinguished record in the field of American foreign policy.

Would you care to say something about the relationship of the Caribbean countries, particularly the British Caribbean countries of Latin America, bearing in mind their interest, their growing interest in the Organization of American States?

Mr. Armstrong: Yes. I recall that when the West Indies Federation broke up and Jamaica applied to the OAS in effect got blackballed for quite a while and did not get in. It is now in. I think that Trinidad is applying or has applied. I presume Barbados will.

My contact and experience in dealing with the OAS as a member of American delegations on various occasions made me realize that the British territories have an enormous institutional obstacle to overcome in the minds of the Spanish and Portuguese speaking Latin Americans. I found a most extraordinary set of prejudices in the minds of Latin Americans to the effect that, for example, the Jamaicans and Trinidad were not really going to be independent but were going to be agents of British Imperialism or something of the kind. Even to speak of "British Imperialism" under present circumstances sounds rather amusing.

There has nevertheless been a real sort of mental block on the part of a lot of Latin Americans who have deliberately excluded the former European territories. For example, the OAS has never had representation from British, French or Dutch territories, whereas the Economic Commission for Latin America, a United Nations regional organization, always had British, French and Dutch representation, because they were part of the hemisphere.

I feel it will take time for the Latin Americans to get a little more used to having the Jamaicans and Trinidad and the Barbadians and other countries in.

Senator Martin: What is the status now of the Jamaican application?

Mr. Armstrong: They are in, to the best of my knowledge.

Senator Martin: What is the state of the Trinidad application?

Mr. Armstrong: I am not sure. They are not in yet, but I have heard that it looks promising.

Senator Martin: Have any other American countries applied for membership?

Mr. Armstrong: I do not know whether Barbados has applied or not and I am not sure about Guyana.

Senator Martin: Does the new Venezuelan dispute with Guyana constitute a constitutional difficulty for Guyana?

Mr. Armstrong: I would think that the Guyanians would assume that it would, because they have no reason to feel very enthusiastic about Venezuela at this point. I think they would assume that they would not get in if they applied and therefore probably they have not applied. I am not sure of the exact status.

Senator Martin: Are you in a position to say what would be the attitude of the Government of the United States towards a Caribbean country's application for membership?

Mr. Armstrong: The United States Government's position has been, as far as I know, always in favour of it and the United States Government has sought to persuade Latin American countries that they should let the British Caribbean countries in. This has been standard policy, to the best of my knowledge.

Senator Martin: There is no difficulty in this context as the result of the relations between Cuba and the Caribbean countries?

Mr. Armstrong: I do not think so. Of course, the Cubans have, in effect, been expelled from the OAS. Whether, over time, there is a prospect of their return to the OAS is of course a policy question that probably would have to be considered.

I do not think there is a special relationship of the Cuban matter to the membership by the other countries. Mr. Burnham in Guyana might feel that there was, because Mr. Burnham might feel Mr. Jagan is too friendly with Mr. Castro and therefore Guyana might have problems in the OAS not only from Venezuela but also from Cuba. He might feel that way. I do not know.

Senator Martin: You mentioned the extent of British interest in the Caribbean and you noticed—I want to be very fair to what you said—a lessening of British economic and subsidy interest in the Caribbean. You note that the British are less interested in terms of friendship and collaboration but there is as you say a waning of British responsibility.

Mr. Armstrong: I think that is correct. I think the British expect that Jamaica and Trinidad will take care of themselves. The British have the residual responsibilities in the small islands but they are not about to put any significant part of their foreign aid budget into those islands. There is some British overseas investment going in. There is no lack of general political interest in Latin America. There has been, I would say, in the past five years, in Britain, an increased interest in the commercial possibilities in Latin America. There have been visits of members of the British Government to Latin American countries and an encouragement of British investment in the area. A lot of British people seem to feel that in the territories which have been British they were somewhat stuck with spending money and not being able to make much, whereas if they expanded their interests and got into the Argentine and Brazilian and Venezuelan markets a little more they would have a chance to expand their exports and improve their trade generally. So the commercial opportunities of the rest of Latin America look more interesting than the increasing responsibilities for spending money which appear to develop in the British Caribbean area.

Senator Martin: I am trying to lead up to your view about the Canadian role in the Caribbean. You have

made a comment about British political interest in the Caribbean, which is understandable and desirable. What have you to say about the United States political and economic interests in the Caribbean and the reaction to that by Caribbean countries generally.

Mr. Armstrong: Well, I think you know that it is a very intricate relationship and in each country there is a particular problem of United States relationship. On a general basis, what the United States policy would like to see is countries which are able to govern themselves with stable political systems and have a reasonable rate of economic growth and have a strengthening of regional organizations, the OAS and other organizations. This is a general interest.

Of course, there are American commercial and investment interests in the area, but I think the political interest, in a way, is how can we avoid getting ourselves quite so enmeshed politically as we have been in some places in the past—such as the Dominican Republic, for example. I would think that there was a good deal of American public reaction against the extent to which we were involved in the Dominican Republic. That was a special case where one could argue about how good the intelligence was and all that sort of thing, but the general American current attitude, as I see it, is to want to be somewhat less dangerously engaged. This one finds in studies in the field of foreign policy in the universities and in observing what people say publicly. I think there is a general feeling that we are interested in the rest of the world; we know it has problems and we want to help with the problems, but we do not want to get ourselves quite so entangled as we have been in some places in the past. This is now a basic public attitude: A sort of restraint in terms of commitment.

Senator Martin: Could you tell us what is the level of American foreign aid now to the Caribbean countries?

Mr. Armstrong: All around the Caribbean?

Senator Martin: Yes.

Mr. Armstrong: It does not amount to much. I do not have any numbers in mind. There is no aid to Venezuela; there is no significant aid to Colombia; there may be some technical projects in Panama. Aid to the Central American area does not amount to a great deal in terms of its share of our aid program.

Senator Martin: They do not share in the March of Progress?

Mr. Armstrong: They do share in the Alliance for Progress. We have also promised some aid to the five Central American republics to help them go on with their common market.

Senator Martin: Yes.

Mr. Armstrong: But I do not think they have done all the things they are supposed to do to qualify for the aid which was offered to them. That was for a major development projects. Through the Inter-American Development Bank there is a lot of fairly soft loan business that goes on in Latin America.

Senator Martin: Soft loans?

Mr. Armstrong: Fairly soft loans. And also through the IDA. The IDA replenishment is at issue in this case, and I suppose we need more money for that. Our general aid budget got cut very badly by the last Congress, and I do not know that the new administration has yet developed any policy on aid, let alone enunciated one. They have just selected an administrator and he has not yet taken office.

Senator Martin: Generally speaking, is it not a fact that there is a reduction in the volume of American aid not only to the Latin American Caribbean but to all of the countries in the Caribbean area itself, including the Bahamas?

Mr. Armstrong: Well, I think we do not give any aid to the Bahamas.

Senator Martin: But there was a joint program between Britain, Canada and the United States with regard to the smaller islands.

Mr. Armstrong: I am not sure. I know there was a sort of joint survey of what was needed.

Senator Martin: Yes.

Mr. Armstrong: And I think there was a general hope on the part of the British and Americans that the Canadians would pick up the tab, so to speak.

Senator Martin: Yes.

Mr. Armstrong: We think this is a fine thing for you to do with your aid money, speaking frankly.

Senator Martin: You are aware, of course, that the Canadian aid program has been considerably increased.

Mr. Armstrong: Yes, I am aware of that.

Senator Martin: And that Britain's contributions in the external aid fields have been reduced, because Britain has felt that she had other heavier obligations.

Mr. Armstrong: Yes.

Senator Martin: What indication do you, as a student of this whole area, see as the result of these

developments for the United States and more particularly for us here in Canada?

Mr. Armstrong: Well, I think that the area needs outside interests because it needs money, as capital, and it needs customers. It needs tourists. In part, the United States cannot avoid being a major factor in this, but there is plenty of room for other people, and I would think that the Caribbean area is sufficiently interesting, sufficiently rewarding, sufficiently stable so that it would be natural for the more affluent countries in the hemisphere to help. And I do not mean only Canada and the United States. Venezuela should also help. I would like to see the Venezuelans take a less chauvinistic attitude than they have towards some of their neighbours, because it is a country which can afford to help other countries. They have a good standard of living, basically, and they have money. They could help some of these other countries, if they could do it in a disinterested fashion.

I also think that the multilateral device of the Inter-American Development Bank is very important. I believe there is also a project for a Caribbean Development Bank—I would hope that these things could also be moved along to help.

We have always tended to look towards our Puerto Rican people as the ones who might take a lead in various of these activities, because they have done a lot in technical development and education and that sort of thing and their example is a good one. On the other hand, they are not always regarded as sufficiently kosher by the other Latin Americans, shall we say. They are regarded as United States "tame" types, who are not really Latin Americans. The rhetoric and vocabulary sound about the same, if you are listening to a Puerto Rican or a Chilean, but this is not the way a lot of Latin Americans see it.

I have been in delegations where we have had two or three senior Puerto Ricans, perfectly splendid people from the Puerto Rican Government or from the universities, and they were masterful in their efforts in dealing with the Latin Americans about a whole range of social, economic and other questions. I think that because of Puerto Rico and because of the close involvement of many parts of the United States with the Caribbean, this is something on which one can build.

The Chairman: Is there not a commitment, Mr. Armstrong, by Puerto Rico, as it relates to this Caribbean Development Bank, of \$6 million from the \$60 million capital?

Mr. Armstrong: I feel sure there is such a commitment. In any project of this kind the United States, and Puerto Rico as part of the United States, will be in the act. But one of the objectives of

American policy would be for all of us to do more for all of the area on a multilateral basis and so avoid some of the specific political problems that the United States gets into in a strictly bilateral relationship with each individual country in the area. You know, it has not always been very satisfying as an experience for the United States to get involved in some of these places in the ways we have, and I think a lot of people feel we ought to get this program on a more multilateral basis just as we would like to get aid in general on a more multilateral basis. This, of course, does not mean that the United States would stop making a contribution.

Senator Martin: You don't have the figures of the respective investment interests in various countries of what we call the British Commonwealth Caribbean area? The level of American investment, the level of British investment, the level of Canadian investment? We have them ourselves, of course, but you don't have them?

Mr. Armstrong: I don't have them, but I would say American equity investment in Jamaica and Trinidad and the smaller islands is pretty small. There is some in oil in Trinidad and some in bauxite in Jamaica and there is Canadian investment in Guyana in bauxite. I have visited the mine in McKenzie and it is a very interesting place.

Senator Fergusson: So have I, and I agree.

Mr. Armstrong: There is some American money in Surinam in bauxite, but outside of bauxite and oil and a few hotels—we have a Hilton in Trinidad—outside of those I don't think there is any extensive amount of American equity investment. If you look at the area as a whole, all the American equity investment, probably 90 per cent of it is in Venezuela in oil or iron ore or something like that. British investment is not large. Probably they have more equity investment in Venezuela in oil than they have equities in the former British territories.

Senator Martin: What is the position of the United States towards sugar policies as it affects Caribbean countries which in terms of aid is one of our great problems?

Mr. Armstrong: Of course sugar in the United States is a completely controlled commodity. The Government controls how much should be grown in the United States in cane and in beet, how much of it may be imported from non-continental American territories, such as Hawaii and Puerto Rico. Then we have quotas for practically every other sugar-producing country in the world from Taiwan and the Philippines to Brazil and South Africa. The argument over who gets a quota is good for a political exercise at almost any time. What I think people may not

realize is that when we stopped buying sugar from Cuba, we did not go into an immediate increase in domestic sugar production. We resisted the temptation to expand domestic production and we reallocated the Cuban quota to other sugar-exporting countries. I thought this was basically broadminded because there was a lot of pressure from domestic interests who said we could make up for that shortfall in Cuban sugar. So we redistributed the quota substantially in Caribbean and Latin American countries where we were able to provide an assured market to a number of countries that they hadn't had before. We thus expanded their market. Of course the world sugar market is a fairly soft one, and the United States is not the only buyer. I believe the countries concerned have renegotiated the International Sugar Agreement now so that it is functioning again. For a while the renegotiation was blocked by the Cubans who were insisting on so large a quota, an export quota, within the sugar agreement as to render the agreement non-negotiable. I recall one sugar meeting in London about three years ago where we listened to the Cubans as they stated their terms, with the result that everybody looked at everybody else and said "That means no agreement this year." Obviously there must have been some adjustment. It is in the interests of all sugar-producing countries to try to stabilize sugar on an international basis, because anybody can grow sugar anywhere, and everybody does, for all practical purposes. I think the United States has handled its sugar policy as rationally and as liberally as one could expect, maybe more rationally and more liberally than some people expected.

Senator Martin: I have some other questions. But I shall defer to other honourable senators at this stage.

Senator Thorvaldson: Mr. Armstrong, I wonder if the USSR has taken the place of the United States as an importer of Cuban sugar.

Mr. Armstrong: To a certain extent it has, but the USSR is itself an exporter of sugar and it has taken on a commitment to import Cuban sugar as a form of support. In all probability it re-exports or resells some to other places. Now what the financial terms are I don't know, but it is conceivable, based on the Soviet record of bilateral trading, that the Cubans are not getting the price for their sugar that they would get if they sold it on an open market for convertible currency. I am not saying that that is the case, but it is conceivable.

Senator Carter: I would like to follow up that question on sugar. I have other questions to ask as well, but this one is related to sugar. When the international agreement is worked out, what factors determine the price? I remember hearing over the radio sometime ago an official or a member of one

of the governments down in the Caribbean who was here and he complained that Canada was buying their sugar from his country at less than what it cost them to produce it. Now is this international price related to production costs or to supply and demand?

Mr. Armstrong: There isn't any fixed international price. The international agreement deals with export quotas and import quotas so that countries commit themselves to allow the import of so much and on the other hand other countries commit themselves to export so much or to limit their exports. There are many variants in the sugar price. There is a Commonwealth sugar price under that agreement under which the British take sugar from the West Indian islands at a higher price which presumably in part covers the higher per-unit cost factor. I also understand, and I could be wrong, that when people in Canada buy sugar they buy at the world market price. There is an artificially high price within the framework of the British arrangement with the West Indian islands but it doesn't cover all the sugar. The United States pays more for sugar than the world market price. We support domestic sugar in the United States. Our own agricultural system results in an effective support for the sugar industry, and the sugar we import naturally benefits in price from market support offered by the domestic program. I must say I am some distance away in point of time from familiarity with the details of the sugar program, so I could be wrong on this, but this is my impression.

The market has a number of sectors. The French have their own market system on sugar prices, because they take the sugar from Martinique and Guadeloupe and they also have a domestic sugar industry.

Of course, within the Common Market there is a price support system in Europe, so there are many different sugar prices around the world.

I assume that when Canada buys sugar, since it is not part of any preferential arrangement, it buys at the world market price.

Senator Carter: Some of the underdeveloped countries, mainly in Africa, have complained that when the West gives them aid in the form of handouts it would be much better if they gave them aid in the form of a higher price that the world market price for the product that they can produce. In the Caribbean area we are talking about sugar as one of the main supports of their economy. Would you think that that would be a good plan to help those countries, to pay a higher world prices for their product, or would that have repercussions that would cancel it out?

Mr. Armstrong: The reason I believe in the necessity for an international sugar agreement fundamentally is that the world's capacity to produce sugar greatly exceeds its tendency to consume it. Sugar is relatively storable and therefore you can pick up quite a stockpile and this depresses the price.

I think that an international agreement to stabilize the sugar market is a good thing. I think that this ought to be enough to carry most of the Caribbean sugar producing countries. But there are probably some sugar producing countries that really ought not to be producing sugar or depending heavily on it, because the plots of land are too small. In order to produce sugar efficiently one needs to have an optimum size of unit. If you have only a few acres you are probably not in efficient operation, and it will be high cost. Obviously, people in such a case should be doing something else; they should move somewhere else or get into some other business, because it is not economically sound to continue as an inefficient producer. So I would not think you ought to support the sugar industry in small Caribbean islands to the point where economic change to a more desirable type of activity was precluded.

In general, in this business of commodity prices, one often hears the Latin Americans saying to the Yankees: "Look, you know that another three cents on a cup of coffee would solve all our problems." But it is not that simple.

There is a coffee agreement, a stabilization effort, and governments have gone to great trouble to try to stabilize the market, but the Latin Americans and the African countries have no control over production, and much depends on the consumer and total demand.

Coffee is again fairly durable as a commodity. You can store it and keep it, and there is a great over-supply, which can overhang the market. The coffee agreement is an imperfect thing. It helps stability, but doesn't really balance supply and demand.

The United States cannot say to Brazil: "We will pay you more for your coffee than the market price," because the United States Government cannot commit its citizens, so to speak, to do this. The only way you can get around it would be for the Government to go in and do the buying of coffee. When you consider that the United States spends more for coffee than for any other single import, you see that as a project, Government buying simply would not do.

There is something to this point that these countries depend on primary product sales. The markets fluctuate, the terms of trade tend to turn against the less developed countries and they get poorer or they do not get richer fast enough. This is one of the great problems of the disparity between the industri-

alized countries and the less developed countries, which is illustrated in the Caribbean area. It is also true in Africa, it is true in Asia and it is true throughout Latin America.

In the Caribbean it looks as if you ought to be able to solve it, because the countries are small, with not very many people, and nearby is one of the most affluent areas in the world. Somehow or other enough of this wealth ought to get around to take reasonable account of these people on these little islands.

Senator Thorvaldson: I might remark to Senator Carter that I lived in western Canada in the twenties and thirties, the problem involved in sugar was pretty identical with the problems we had with wheat, particularly in western Canada, which resulted in the wheat agreement which was negotiated after many years of struggle and which agreement is not a bit of trouble now.

However, the principle is identical with our problem in western Canada with large crops, as growers of wheat.

Mr. Armstrong: I remember one illustration in Washington, in an administration which I will not identify, where people said: "We have a firm policy—no international commodity agreements, we are absolutely against them on principle—except for wheat and sugar."

Senator Carter: I would like to return to the question raised by Senator Thorvaldson at the beginning, about political stability. In your reply, Mr. Armstrong, you said that was pretty much of a patchwork, that some people were stable and some countries were not stable. Among the stable countries you mentioned Cuba. If you look into the future, can you really expect very much stability in the Caribbean as long as Castro is there and is determined to create instability? I mean, that is part of his job.

Mr. Armstrong: He is a factor for instability in other countries while he maintains a pretty strong level of stability in his own. The thing you wonder about with Castro is, what will follow Castro in Cuba. Who will be in charge, will it be the same type of thing or will it not?

The Cuban efforts at subverting other countries in the Caribbean or in the hemisphere have not been very successful. Practically all the agents they have put into Venezuela, for example, have been caught or taken care of in one fashion or another. Their effort in Bolivia was obviously, no matter which version you read of Che Guevara's diary, not very well organized and highly inefficient. One may of course hope that they do not get any more efficient.

I think that in most cases of questions of instability or revolution versus evolution, it is a question of what happens in that country itself. Usually, a country is not likely to be too much affected by what somebody from outside tries to do to it. People, particularly in these insular little countries—and they really are very insular—will tend to reject outside pressures pretty much, no matter where they come from, and say: “We want to solve our own problems our own way.” So I do not think that the outside pressure is going to work very well, except where there is some strong local group that can use outside help.

I suppose one of the worst examples of instability is Guatemala where there has been a polarization of political pressure, right and left, and a tendency to kill each other off on occasion. There has been some of this in Colombia, too.

Senator Carter: Do you attribute Castro's lack of success in the co-ordination of his efforts and the alertness of the countries in which they have tried to operate? Would you say that his success, his lack of success, would be due to some extent to his lack of economic success at home.

Mr. Armstrong: Oh, yes, his regime has not been as successful as he said it would be, and the word gets around. They even ration sugar in Cuba for the consumers and they ration practically all the other food, and there really is not too much to eat. There is no milk, or there is not enough milk. They are under a real squeeze.

But I think there is also recognition that Castro has built a lot of schools. He has created probably a fairly good level of support from a large part of the Cubans who have remained. A great many of the people who did not like it have got out of Cuba. Probably half a million Cubans have come to the United States. I do not know the number. That is just a rough guess. But it has got the the point where Miami has become a partly Cuban city, which it certainly was not before Castro's regime. The people who would object most vigorously are not there, and what they have to say outside about what goes on inside Cuba tends to diminish the lure of the Cuban regime.

I do not know whether you remember a cartoon which showed Mr. Mikoyan in the Kremlin. Having come back from a trip to Cuba, he was reporting, and sitting down next to Brezhnev or someone like that. He was talking, and the caption was, “Of course, the first thing you have to remember is that he is a nut.”

As I said earlier, I think the Russians may have their problems in dealing with the Cubans. The Cuban revolution, so to speak, in its internal regime, in its emphasis on certain goals, looks very much like the Soviet Union's in its earlier days in the twenties, where the rations got pretty low and the industrial output was not good and things were pretty rough. This is perhaps

not the best way to go about engaging in economic development.

But I do not really think that the Cuban example is going to result in any direct change in some other country in a short term, unless there are some really pretty good reasons within that country. I think almost anything could happen in Haiti, but this could happen regardless of there being a Cuba.

Senator Thorvaldson: You would say, then, Mr. Armstrong, that the Cuban pressure on subversion in that area was much greater two or three years ago than it is now. At least, from my reading it seems to me that the pressure is getting less and less, particularly since Ché Guevara was caught. May I remark, sir, that I think one of the most delightful phrases you have used here today was when you were talking about Cuban subversives and mentioned that either they have been caught or dealt with in another way.

Mr. Armstrong: You know, when you see how this works, why it is a little harder for the Cubans to get the volunteers.

Senator Robichaud: Mr. Chairman, first may I make a brief suggestion that might be of interest or advantage to some of us on the committee to have smaller versions of the large map before us.

The Chairman: Thank you very much for the suggestion, senator. We are working on that now and hope to have such maps in your hands quite soon.

Senator Robichaud: Mr. Armstrong, you referred on different occasions to United States policy on foreign aid programs, particularly as related to Puerto Rico. Is it a fact that in recent weeks the United States Government has announced a major or substantial aid program for Puerto Rico? If so, could you give us some details as to its application? Is it a matter of loans or direct grants? I understand it has to do in large measure with the storage of food products and the development of the fishing industry around Puerto Rico.

Mr. Armstrong: This is a domestic program. Whatever is done in connection with Puerto Rico is a domestic program and not part of the foreign aid operation. There are a number of programs that function there.

Senator Robichaud: With United States Government assistance, however.

Mr. Armstrong: But in the same way that we have a program of aid for, say, Appalachia, or a program of aid for disaster victims after a Texas hurricane or a California flood. There are specific programs, fisheries and that sort of thing, in Puerto Rico, but the essential boost to Puerto Rico's economy started from assist-

ance tax, and this encouraged people to go there and go into business. The business climate is very satisfactory, but this is not part of any foreign aid program. If you were to go back to the Roosevelt administration and recall the stories that were written then about Puerto Rico, you would remember that the American people were horrified to realize what a poor house they had in Puerto Rico. It was really a slum. A sort of general social consciousness was awakened on this in the 1930's and a tremendous effort has since then been made to assist Puerto Rico and to encourage Puerto Ricans to assist themselves. In fact, they have done very well indeed.

They have, of course, another escape valve that other countries do not have in the Caribbean. They can export, so to speak, their surplus population. It comes mostly to New York. This opportunity does not exist for Haiti, for example, because the places to which Haitian immigrants might choose to go are not as open as the United States is to the Puerto Ricans.

Senator Davey: Mr. Armstrong, one point that interested me was the number of Cubans in the United States. You referred to them in your speech and then mentioned a figure a few minutes ago of about half a million. Presumably these would not all be classified as refugees. The question I want to ask is what is their influence? Is it a meaningful factor in the United States? What is their purpose, what is their object and are they advocating invasion?

Mr. Armstrong: There are probably 15 or 20 different shades of opinion among the Cubans in the United States. There are a lot of Cubans who have been coming in for years, into Florida in particular. These people are part of the expansion of population in the United States. Then there are a lot of Cubans who came specifically since Castro got into power. Some of them are relatives of people who are here already. Some of them are genuine political refugees who got out. Some of them, you know, rowed across from Havana to Key West.

I was down in Key West in 1962 and there could be seen a lot of the small boats that people had used to get across. There is a regular refugee air lift now that moves people out at a regular rate. It takes about a year and a half to get in line for it, but it does come and there are large numbers of Cubans who desperately want to get out of Cuba.

This is another thing that diminishes the attractiveness of Cuba, because word gets around about these people. Recently, a group made a run for it and made its way into Guantanamo, and they were flown out to the United States.

There is a terrorist wing, or pretty rough wing of the Cuban refugee organization which has made some threats and has done some unpleasant things to representatives of countries that trade with Cuba, such

as the British or Canadian establishments. We have taken in the United States some pretty severe police measures with respect to these people and provided extra guard services and that sort of thing. That radical wing is not being encouraged at all. We had of course the unfortunate episode of the Bay of Pigs in which a lot of Cuban refugees volunteered for service. It was something less than efficiently handled, and it didn't work. I think no political figure is going to get up and say out loud that we are not interested in a possible change in the future in the political management of Cuba. On the other hand, nobody is going to organize anything to do anything about it, as far as I can see. It has been tacitly acknowledged that the Castro Government has survived and that it has the support of most of the people. They are not very well off but some of the ones that don't like it have a way of getting out, and they are still getting out. Most Cubans coming to the United States settle down and become Americans like everybody else.

Senator Davey: What is the essential reason for all this hijacking?

Mr. Armstrong: You know there are always some nuts and some psychological cases, and there are people who somehow want to get out of the United States into some other environment. A lot of them really don't know what it is like in Cuba, and probably most of them when they get there are pretty miserable. But if you assume that a man is not a nut and he does hijack a plane, what is the reason? Well, if he wants to go to Cuba by commercial aircraft on a regular basis he has to go to Mexico and take a plane from Mexico to Cuba. It is a long way. You have to go down to Mexico and then over. It costs a good deal of money. It is cheaper to buy a revolver. Of course, it costs the airline money because they have to pay landing fees and they have to buy fuel and things like that. Personally I think we ought to try to work out some way of normal air traffic between the United States and Cuba and then this would not happen. If we had regular flights from Miami, as we used to have in the past, this could be done on a carefully controlled basis and you could control who came in and who went out. I would hope eventually we could get into this position, because the present situation is absolutely ridiculous. The Cubans apparently don't care much for it either, and I would just hope that some day it could be improved. One of the things the United States has to look for now is some form of normalization of its relations with the Cuban regime. The regime is not going to disintegrate, or blow up or blow away. It is there, and if we don't wish to indulge in ordinary business, that is our choice, but we could at least try to establish an air link of some kind so that people could get back and forth.

Senator Davey: I have a question, which perhaps is not a question at all but a comment. Relating to the

comment that Senator Fergusson made earlier about tourism in the area, could you describe now, and I appreciate it varies in different parts of the area, what the total percentage contribution of tourism is to the economy of the area as of right now?

Mr. Armstrong: I think in Puerto Rico and most of the little islands down the chain there it is a very high percentage of their G.N.P. It is probably the major element in their foreign exchange earnings.

The Chairman: I can give you a partial answer on that. In Barbados it has now become greater than the sugar cane production.

Senator Davey: Would it be half?

Mr. Armstrong: It might well be half in these tiny countries. What you haven't got to yet is tourism in places like the Dominican Republic and Haiti. The scenery is there and there is a lot more space than there is in the little islands, so that there is room for expansion, but because of the political conditions it has not happened. There used to be a lot of tourism in Cuba but that is unattractive now. Jamaica has a fair amount and so does Trinidad. Of course, the farther away the islands are the more air fare one must pay.

Senator Davey: Following on what Senator Fergusson was saying earlier, and this is merely an observation, it seems to me that this is not the place to go for a middle-class vacation. Perhaps this is an area in which greater attention should be directed.

Mr. Armstrong: Of course air fares tend to decrease, certainly in relation to general price levels. And the thing that made possible the immigration of so many Puerto Ricans to New York and the flow of American tourists to Puerto Rico was the cheap air fare. And as you know the moderately affluent go to Puerto Rico for a holiday and the indigent Puerto Ricans can save up enough for a one-way ticket to come to New York where they can go on welfare if they can't find a job. The cheaper air fare is coming. I must say that Air Canada fares to Barbados and Trinidad are quite low. I think you can go more cheaply from Montreal to Trinidad than you can go from New York or Miami; probably because it is part of the Commonwealth or something like that. It is like British air fares to Malta, by which you can travel for half the cost of going to Italy or Switzerland.

Senator Pearson: I have a question about Honduras. Can you make a comment on why it is in such poor financial condition and why people there are as they are? Is it due to the topography of the country or the soil or what?

Mr. Armstrong: Is this Honduras or British Honduras?

Senator Pearson: British Honduras.

Mr. Armstrong: British Honduras has a very tiny population, only 90,000 people, and it is simply a situation where few people ever got around to living there. It is not a bad place to live; it has good soil for sugar and citrus and other crops. It is underutilized and underoccupied, and the climate is not bad. However, it has one significant disadvantage in that it is in the path of hurricanes, and twice, I think, its capital town has been practically obliterated by a combination of hurricane and tidal wave, and this has set it back. Now they are building a new capital which is away from the waterfront, up about 10 miles. Once they get that as an administrative center they will presumably not have the damage which they had before. Most of it came from sea water, because of the tidal wave following the hurricane. I had a friend, an American consul, down there during one of the hurricanes and he had quite an experience—so had everybody else. It killed a lot of people, demolished buildings and it blew off half the governor's house and things like that. When I was there and had dinner in the governor's house we had it in the hall, because one wing had been blown away three years before.

Once they can protect themselves against this sort of thing a little better, they can go on and grow. They need quite a lot of outside capital. I think some people have an investment in citrus in British Honduras and I do not see why they should not go ahead. The climate seemed to be good and it is quite a pleasant place.

The Chairman: Several Canadian banks are moving agencies into British Honduras, too.

An Hon. Senator: This would be a good place, then, for Canadian investment?

Mr. Armstrong: I do not want to get into Canadian internal matters.

An Hon. Senator: If we get into these internal matters, why should'n't you?

Mr. Armstrong: In order to qualify for tariff preferences, I think products have to land in a Canadian port. Shipments from British Honduras are most efficiently made through the United States, because they are directly south of the middle of the United States. I think that this is an administrative matter. I noticed that people spoke to me about that when I was down there, complaining that Honduran products did not qualify for Canadian Commonwealth preferences because of the port requirement. I do not know whether this is still true or not.

Senator Quart: Mr. Chairman and Mr. Armstrong, just on the question of tourism, would you agree

that Venezuela is the most expensive place. It seemed to me when I was there a few times in all that area that it was the most expensive one. I will remember being in the Tamanaco Hotel at Caracas and they charged about \$3.50 each for a drink. I remember that and there was complaint about it at the time.

Most of the people in Venezuela want to go in for oil rather than farming. We happened to be there at a particular time when I remember many Italians were going back home. They imported this labour from Italy to work on the farms, while the idea the Italians had was that they were going to work in oil. There was a terrific protest on the dock that day. Would you not say it is the most expensive place for tourists?

Mr. Armstrong: Yes, I remember Venezuela as long as fifteen years ago when the cost of a vital necessity like a martini was \$1.50.

Senator Quart: Yes I remember it was terrible.

Mr. Armstrong: I am sure it is \$4 now. This is inhibiting tourism, but then the Venezuelans do not need tourism to make money. They have oil, and iron ore. They are terribly high cost economy and of course the way they get around that themselves is that for the most part for Venezuelans is that they have a flat 10 per cent income tax, or they used to.

I suppose that, with more diversification of their economy, more manufacturing, more things like that, it will help to cut down the high cost of the imported goods, but these will still be very high cost industries, because they have a high cost base. It is the most expensive place I have ever been in. Once you get up that high you cannot well go backward, so that this will mean that ordinary tourists do not go there.

Senator Quart: There is one other thing we objected to. When we were going to Buenos Aires, our plane refuelled twice. I am talking about Caracas, where it was frightfully warm and we were herded in the airport. This was an official mission for the US-UN status of women. We left our things on the plane. The American delegate was very much annoyed because she said if anything happened to her briefcase it would be awful. However, we were herded in just like cattle at the airport and were not allowed to move around. Yet we saw that the Venezuelans who were standing around were allowed to get on to visit the jet. We had almost to apologize if we wanted to go to any other area. We were all piled in together. That seemed rather strange.

Mr. Armstrong: The ways of airports are always strange.

Senator Fergusson: May I ask one question? If in connection with Puerto Rico the Americans deal with

it the same as some other regions, such as Appalachia, why is it that they do not have an income tax there?

Mr. Armstrong: Tax concessions were figured as simply a system for encouraging investment in Puerto Rico. It is much simpler and less expensive than it would be to appropriate money for specific purposes to give to, say, Puerto Rico. The use of tax incentives for development is a normal thing in many countries and this was a particular form of tax incentive.

Senator Martin: I would like to start where we left off, if I might. We were talking about the reduction in British economic aid to the Commonwealth Caribbean, the extent of American aid, and the increase in the Canadian program.

Have you any comment to make, Mr. Armstrong, on the suggestion Canada made when it met with the Commonwealth countries in Ottawa two and a half years ago, in connection with the economic assistance from Canada to them, as to the extent of that assistance, and their concern that with what we could do to help them in the most important area that concerns their economy, that is, their sugar trade. Are you familiar with this?

Mr. Armstrong: I am not familiar with it. I recall that there was such a meeting and I recall that there were offers of aid and I recall also the Caribbean countries' reaction, which was that they would like a guarantee on the sugar.

Senator Martin: Yes.

Mr. Armstrong: I think that in sugar again, it is wrong so to protect a small group of producers at a high level that you make economic change unfeasible in that small economy. If you take, for example, one of the Caribbean islands, say Granada, and it costs twice as much to them to grow sugar there as in the Dominican Republic, say, or Puerto Rico, if you set the price so high or protect the market so much, then you get a whole group of people with a vested interest in the maintenance of something which is basically unrealistic in the long-term economic sense. I think you have got to allow for more change. I do not really like this sort of specific preferential arrangement on sugar, because it makes a patchwork quilt out of the world sugar market. I believe more in a general sugar arrangement in terms of promoting stability.

Senator Martin: Could we have international agreements without the participation of Cuba?

Mr. Armstrong: You could not have a good one without Cuba, but now, apparently, it has been renegotiated, with Cuba in it.

Senator Martin: When was this?

Mr. Armstrong: Last year, I think. I am a little out of date on sugar. I never found sugar an awfully attractive subject to deal with as an official. As soon as I stopped being an official I tended to forget about it, frankly, because it is not a very enjoyable subject. To the best of my knowledge an international sugar agreement was renegotiated and Cuba must have changed its basic position to bring this about.

Senator Martin: I understand the agreement was renegotiated, but that there is still some complaint by the Caribbean countries as to the price. Is that not so?

Mr. Armstrong: Well, I think the smaller Caribbean countries, the British islands and so on, will continue to complain for a very long time because their sugar is probably of a higher cost and world market prices are not particularly remunerative. They have not succeeded in getting the British to commit themselves to buy an increasing quantity of their sugar at a higher price. Naturally, they would turn to Canada to see if Canada would buy some portion of their sugar at a higher price.

You know, I can see how it might be a good policy to do this on a short-term basis, but the trouble is that the short-term always turns into the long-term, and the long-term can freeze a set of relationships which are not fundamentally sound in their economics and which therefore are not really necessarily in the interests of the little country that wants to get twice as much for its sugar as anybody else. You can feel sorry for them. I have had such a discussion with the Government of Mauritius, which is about to become an independent state, and they have got nothing but sugar and people out there. There is no place for the people to go and there is not enough market for their sugar. You cannot help but feel sorry for a tiny country that has nothing to sell but sugar, but guaranteeing them twice what somebody else can raise sugar for is not necessarily in the long-term a service to them. But you do not have the heart to turn them down. You hate to say this to them.

Senator Martin: Mr. Armstrong, you spoke about the normalization of relations with Cuba. Cuba, of course, plays a very important part in this whole area. Would you care to say anything about what Canada, for instance, might do to help in bringing about normalization of these relations?

Mr. Armstrong: Well, I do not know. Concerning normalization in this context, I want to make it clear that I am not advocating anything in particular at the moment for the United States Government. All I am saying is that over time there will become apparent a need for more normalization. I think this is something that Americans have to resolve for themselves and that Cubans have also to resolve for themselves, because it is not all on one side, you know.

I think that the time for a dispassionate discussion, shall we say, of United States policy towards Cuba has not come yet. I feel that this is an emotional problem. It is loaded on all sides and I do not think that the time has come for a dispassionate discussion. However, I think one should encourage this.

I am now an academic. I have always believed in dispassionate discussion, especially with students, but the problem sometimes is to get a little reciprocity. We need dispassionate discussions on all aspects of difficult problems, and Cuba is not the only one. But I think it is too early yet on Cuba; there are too many Cubans who have come to the United States and who are presumably going to become good Americans and who will be better Americans if this issue does not become exacerbated within the society at the moment. That is the way I feel.

It takes time for this kind of thing to change, and maybe there will be a different manager in Cuba and some of the emotion will come out of it on that side. It takes awhile, I think.

Senator Carter: I would like to return to the question raised by Senator Fergusson about education. You said that universities have a lot of student power down in the Caribbean, and you spoke particularly of Venezuela. How many countries have universities down there? Is there one in each country? What I am most interested in is, if there are universities in the Caribbean, what do they do? Do they just cater to and train the elite of the place, or do they have extension programs?

Mr. Armstrong: In Venezuela the universities are pretty accessible to a large part of the population. I think this is true in Colombia as well. Colombia has a pretty good standard of education. There are universities in the little countries in the Caribbean. I was talking to somebody the other day who was teaching in the university in Managua in Nicaragua, and I asked him who attended the university and he told me that only the elite did. But then, that is the way Nicaragua is; that is a reflection of Nicaragua. Costa Rica would be quite different, because that is a very democratic country with a high standard of education.

You know, it is very hard to generalize about these things, and you have to be very careful in judging universities. For example, at Columbia University we have a certain amount of experience with foreign students from Latin America and elsewhere, and we have our own system of evaluating their records. If a man comes in and says he has a Ph.D. from such and such a university, we tell him that that is fine, but then we do our own calculations and we might find that his education is equivalent to a B.A. from a second-rate college, or something like that. But you cannot tell the man that. You just have to make your own judgment and then tell him that you think he

ought to build up in this, that or the other field, and you prescribe a program for him. You have to do this in order not to disadvantage your own students, because you have got to maintain your standards.

But there is a great deal of variety in Latin America in the quality of education. Of course, in the British-based countries such as Trinidad and Tobago the education systems are part of the general British standard, and this general British standard has been maintained quite well. And you can see that the students you get from West Indian or African universities which are in former British territories make a real effort to maintain a good standard, and it is not unsuccessful. I think one of the great contributions the British have made to territories where they have governed has been in the educational field as well as in the area of political institutions, and while one may feel rather depressed that the British don't have the money to put into those places, we should not overlook the fact that what they have put in is qualitatively very important, and may be more important in the longer term than some infusion of capital in a narrow sector.

Senator Carter: Would you say that this would be a very rewarding field for foreign aid? Would that be one of the best ways we could help these countries?

Mr. Armstrong: I have always believed that education is one of the best forms of foreign aid, but it must be useful to the people in the country concerned. You don't want to take people and turn them into atomic physicists. That is not the object. You want people capable of doing something in their own country when they go back, or if you are training them there. I think what many universities are doing all over the world is terribly impressive. There are quite a number of American universities who have big projects of this kind in many places. There is enormous scope for this and the rewards are incalculable. I think one of the best programs the United States has had in any field has been the Fulbright program for the exchange of scholars and students. I was with the Fulbright Commission in our embassy in London and I saw how this worked. I don't think there was ever a more worthwhile expenditure of public funds in the foreign field than in the Fulbright program.

Senator Carter: Do you think it is better to bring them out and train them on the continent rather than give them training in their own country?

Mr. Armstrong: You need both. You need to bring people up and also to send people down. There are advantages in doing both, I think.

Senator Fergusson: Are they doing a lot of technical education too?

Mr. Armstrong: Probably. I don't know. I think they should. Yes, certainly the Alliance for Progress program involves a lot of technical education. And also in the British aid programs—the British have a very good aid program, qualitatively.

Senator Fergusson: I remember on our Manpower Committee we had people who told us that a large number of technicians are coming from the West Indies to Canada. I think this is too bad, because they need them down there.

Mr. Armstrong: That is the trouble. If people get training in a field then the tendency is that they don't want to stay home. In Britain if you didn't have the Indian and Pakistani doctors you would have to close the hospitals. At the same time they need the doctors back in India and Pakistan. That is the reason why under the Fulbright program when somebody comes to the United States to study we arrange it so that his visa is no good for him to stay after his study. When he has finished his studies he has to go back or go somewhere else. We will not allow him to stay. We will not consider him for an immigration visa to the United States for another several years. We use our immigration law to push the people back to where they are supposed to be when they have had their training. What happens in the interim, of course, is that they marry an American and then you get Congressmen into the act and then a waiver is applied for.

The Chairman: Senator Thorvaldson.

Senator Thorvaldson: Mr. Armstrong, it is my great privilege to express to you the very deep appreciation of this committee for your appearance before us here. I know that you have realized the tremendous interest that you have created in this subject for all of us. We have been drinking your words; they have been soaked up as if we were sponges.

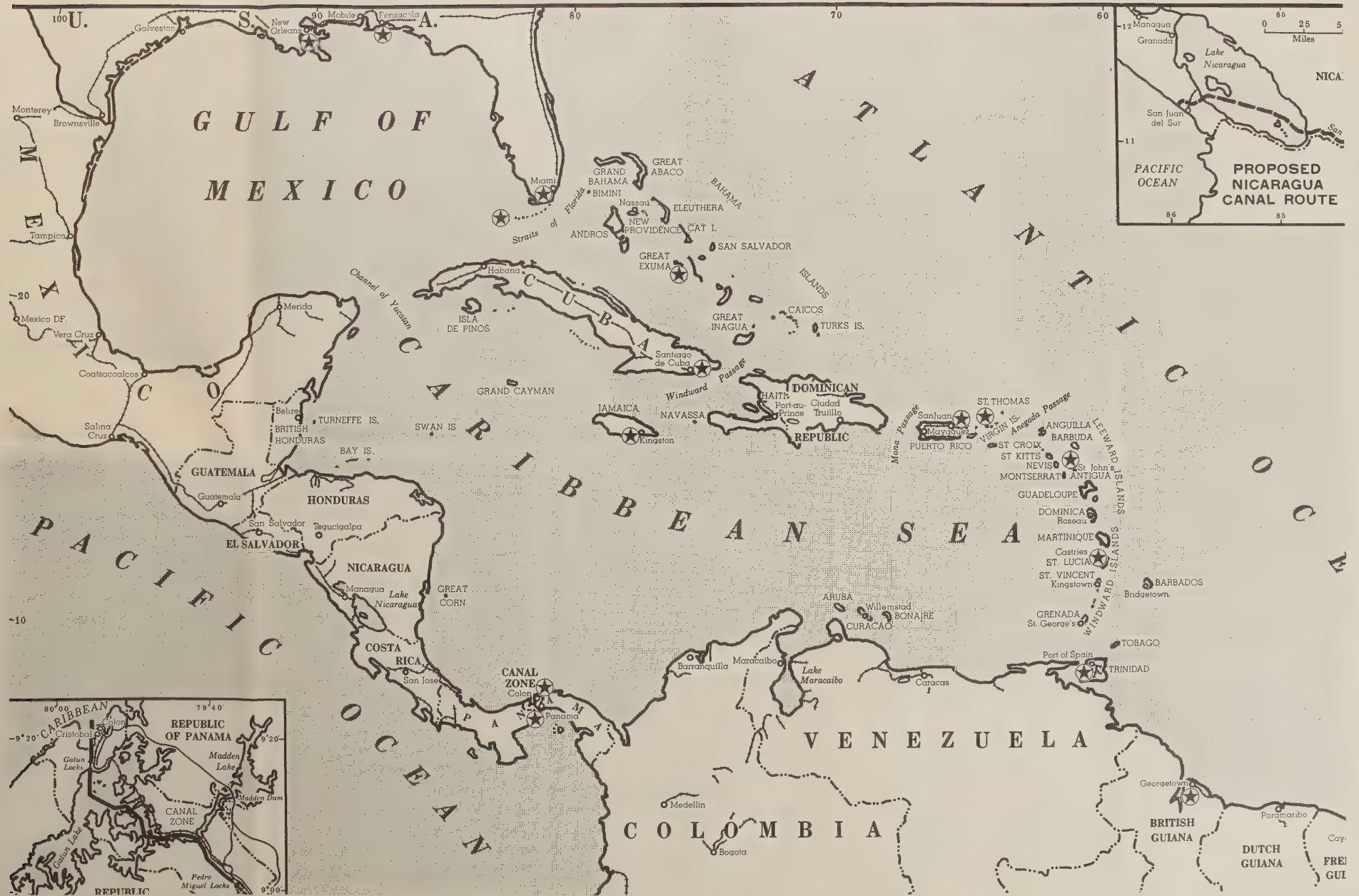
As the chairman said at the outset this is the first meeting of this committee for the purpose of studying the Caribbean problem, and I don't know through whom else we could have got the tremendous and wide range of information that we have got from you. I know we will probably be concentrating to a certain extent on the former British possessions like Jamaica and so on, but to have the information in regard to the other areas such as Venezuela, Colombia and others will give us a tremendous background for the work of the committee.

On behalf of all of us I wish to thank you most heartily for coming all the way from New York to talk to this committee. Thank you.

The Chairman: Thank you very much, Senator Thorvaldson. This meeting is terminated.

The committee adjourned.

CARIBBEAN AREA





First Session—Twenty-eighth Parliament
1968-69

THE SENATE OF CANADA
PROCEEDINGS
OF THE
SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable Gunnar S. Thorvaldson, *Acting Chairman*

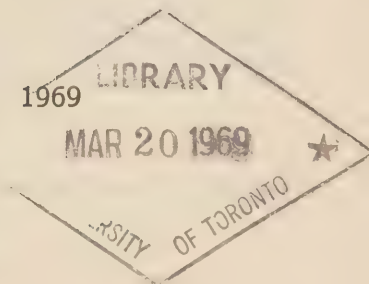
No. 2

TUESDAY, FEBRUARY 25, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Mr. William G. Demas, Head of Economic Planning Division, Office of
the Prime Minister of Trinidad and Tobago, West Indies.



THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Alcide Paquette
Clerk Assistant

MINUTES OF PROCEEDINGS

TUESDAY, February 25th, 1969.

(3)

Pursuant to adjournment and notice, the Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Belisle, Carter, Choquette, Croll, Davey, Eudes, Fergusson, Gouin, Grosart, Haig, Laird, Martin, McLean, Pearson, Quart, Rattenbury, Robichaud, Sparrow and Thorvaldson. (19)

Present but not of the Committee: The Honourable Senators McDonald (Moosomin) and Prowse. (2)

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

Upon motion, the Honourable Senator Thorvaldson was elected *Acting Chairman*.

The Acting Chairman announced the names of prospective witnesses to appear before the Committee during its studies of the Caribbean area. He then introduced as today's witness:

Mr. William G. Demas,
Head of the Economic Planning Division,
Office of the Prime Minister of Trinidad and Tobago,
West Indies.

The witness made a general statement respecting the Caribbean area; he was questioned thereon and then thanked by the Committee for his presentation.

At 1.00 p.m. the Committee adjourned until 11.00 a.m., Tuesday, March 4th, 1969.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

Mr. William G. Demas was born on November 14, 1929, in Trinidad. He received his education at Tranquillity Boys' Intermediate Government School and Queen's Royal College in Trinidad. He later read economics at Emmanuel College, Cambridge University, and received his M.A. in 1955. While at Cambridge, Mr. Demas assisted Dr. Prest of Christ College in preparing "A Fiscal Survey of the British Caribbean".

Later appointments of Mr. Demas included:

Research Officer at Queen Elizabeth House, Oxford (1955-57)

Adviser on "Effects of European Integration on West Indian Trade" in West Indian Commission, London (1957-58)

Representative of West Indies at GATT meetings in Geneva (1958)

Temporary Technical Adviser, Minister of Finance, Trinidad and Tobago Government (1959)

Acting Assistant Economic Adviser, Ministry of Finance, Trinidad and Tobago Government (1959)

In 1960 he was appointed Head of the Economic Planning Division, Office of the Prime Minister, in the Government of Trinidad and Tobago, the position he now holds.

In 1964 he served as first Research Fellow at the Centre for Developing Area Studies at McGill University, and in 1966 served as Visiting Professor at the same institution.

THE SENATE

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, February 25, 1969

The Senate Committee on Foreign Affairs met this day at 11 a.m.

The Acting Chairman (Senator Gunnar Thorvaldson): Honourable senators, thank you. I would like to say, first, that it is with much regret that we heard that the distinguished chairman of this committee, Senator Aird, is ill in Toronto, and consequently is not able to be with us this morning. I am sure every member of this committee recognizes the tremendous amount of organization work which Senator Aird has already done in regard to getting these studies under way.

This is the second of this committee's series of meetings to examine Canada's relations with the Caribbean region.

The Senate Committee on Foreign Affairs is honoured today to have appearing before it as a witness Mr. William Demas, Economic Adviser to the Prime Minister of Trinidad and Tobago. I would like to add that Mr. Demas has travelled to Canada specifically to appear as a witness before this committee. I am sure the committee very much appreciates this contribution of his very valuable time.

Mr. Demas has been asked to speak on the general problems of development which prevail throughout the region. For this he is extremely well qualified. His present position in the Government of Trinidad and Tobago has given him firsthand experience with these problems from a government's perspective.

His appointment as the first Research Fellow of the Centre for Developing Area Studies at McGill University in 1964, and later as visiting professor at the same institution in 1966, has given him the opportunity to reflect about and examine in further depth these problems from a more detached position.

Some of his conclusions have since been published in his book *The Economics of Development in Small Countries, with Special*

Reference to the Caribbean. Copies of this book have already been provided to members of this committee. Mr. Demas is particularly knowledgeable about the development problems of Commonwealth Caribbean States; and it is principally about them that he will speak.

I should add that Mr. Demas is appearing before this committee in his personal capacity as a scholar, rather than as an official of the Government of Trinidad and Tobago. In order to protect his position in this latter capacity, Mr. Demas has been told that he is free to refrain from commenting on any questions which may cause him embarrassment. I am sure honourable senators will respect Mr. Demas' situation.

Before calling upon Mr. Demas, I might report to the committee the names of future witnesses. Following the appearance of Mr. John Plank on March 4, whose theme has already been noted, the committee will have on March 11 Mr. Alex MacLeod, a Canadian national who is Governor of the Bank of Trinidad and Tobago. Mr. MacLeod will talk on "The Prospects for Political and Economic Co-operation in the Caribbean region". On March 18, the committee will have as its witness Professor George Doxey, a Canadian now doing research in Barbados. Professor Doxey will talk on "External Trade and Aid Relations of the Caribbean Countries". We may have one more witness before the Easter recess, but the arrangements have not yet been made.

The Clerk of the Committee has already circulated to you a brief outline of the main themes which Mr. Demas plans to raise. To refresh our memories, I shall note them again. They are the historical development of the Caribbean economy; the contemporary features of the Caribbean economy, comprising (a) institutional heritage and (b) small size; and the impact of external economic forces on the Caribbean today.

For the record, I will read out the brief list of books which Mr. Demas has recommended:

Gordon Lewis: *The Growth of the Modern West Indies*

Brewster and Thomas: *Dynamics of West Indian Integration*

Lloyd Best: *The Caribbean—an Over View: Social and Economic Studies* (Special Issue on Canada-West Indies Relations)

Dudley Seers: *Cuba—an Economic and Social Study*

Gordon Lewis: *Puerto Rico*

A. McIntyre: *Aspects of Trade and Development in the Commonwealth Caribbean* ECLA (1965)

Eric Williams: *Capitalism and Slavery*

Government of Trinidad and Tobago: *Draft Third Five-Year Plan, 1969/1973, Chapter 1*

And now, Mr. Demas, would you like to make an introductory statement before the members of this committee ask you their questions?

Mr. William Demas, Economic Adviser to The Prime Minister of Trinidad and Tobago: Thank you very much, Mr. Chairman. I would like to say how happy I am to be able to speak to this very august body this morning, the Canadian Senate Committee on Foreign Affairs. I think it is a very good opportunity for someone from the Caribbean to give a point of view on Caribbean problems, which is, so to speak, an indigenous point of view.

As the Chairman has pointed out, I shall speak on three main themes: The history of the Caribbean—that is, the economic history mainly; the contemporary features of the Caribbean economy; and, finally, the impact of external economic forces on the Caribbean economies today.

Let me clarify the scope of my remarks. I am going to talk this morning mainly about the Commonwealth Caribbean countries. However, I am prepared to answer questions during the question and answer part of the proceedings on other Caribbean countries such as the non-Commonwealth islands and the mainland territories of Venezuela, Colombia and Central America.

I think it is extremely important to start by looking at the historical development of the

Caribbean economy, because one cannot understand the present economic position of any country without knowing, if only broadly, how it has got to its present position. I think this is true of the West Indies or the Commonwealth Caribbean more than of any other country or set of countries in the world, because the Caribbean economy has not, and I repeat not, changed very much since it was established about three centuries ago. I shall not go into details, since I assume most of you are familiar with broad outlines of this economic history. The main point to note is that the Caribbean countries never had any separate autonomous economies of their own. From the very beginning they were extensions of the metropolitan economy. In fact, the West Indian colonies were brought into being to serve the purposes of the British mercantilism.

If one looks at the 17th century at the British occupation of the West Indian islands, one will see first of all that an attempt was made to establish an economy similar to that existing in New England at the time. An attempt was made to start an economy of British small farmers producing crops such as cotton, indigo and tobacco. This was true of Jamaica, which was taken by Britain at the time of Cromwell—I think it was 1665, St. Kitts and Barbados. This economy was manned by people who left Britain mainly for political and/or religious reasons. You know all about that.

What caused the decisive change, however, in the character of this economy was the introduction of the crop, sugar, from Brazil. The Dutch brought it in from there. Once sugar was introduced into the British West Indies, the whole character of the economy changed. From a New England type of economy of independent small farmers, the islands moved to a situation where their economic life was dominated by the sugar plantation and where the manpower for producing sugar consisted of slaves imported from Africa—against their own will, of course.

Now, the sugar economy of the West Indies flourished in the later part of the 17th and during the 18th centuries. In fact, the 18th century was the heyday of the West Indian sugar plantation economy. It brought great wealth to the owners of sugar plantations and the people who were dependent upon them, and, in fact, it made a substantial contribution to the financing of British economic development in the second half of the 18th century.

This theme of the contribution of the West Indian sugar colonies to financing the industrial revolution in England at the end of the 18th century has been developed in one of the books I mentioned, Eric Williams' *Capitalism and Slavery*.

Incidentally, Eric Williams is now the Prime Minister of Trinidad and Tobago. He wrote that book more than 20 years ago.

One feature of this early sugar economy that I would like to stress is that it did not serve to develop the West Indian colonies as autonomous economic units. In fact, the West Indian colonies, as they then were, remained a place where England found it convenient to produce sugar. This led to the development of certain characteristics of the West Indian economy. One of these characteristics was that all the decisions about investment in the West Indies were not made within the West Indies but in London, in the metropolis, by the merchant firm, which played a very important role in the financing of sugar production at the time. It was a merchant house that decided whether to expand production, whether to lay out more working capital for the purchase of slaves from Africa, whether to cut back production and so on and so forth.

Secondly, the existence of the sugar plantation, which was absentee-owned, meant that the priority was on consumption rather than on investment in the West Indies. The sugar planter, once he became wealthy enough, retired to live in England and enjoyed a very high level of consumption. Also, he had several relatives to whom he made rather generous endowments and bequests, and, of course, they all had to share in the profits before there was any consideration of plowing back of profits.

This was a very, very important feature of the West Indies, historically, this priority given to consumption rather than to investment. Moreover, to the extent that attention was given to investment, the decision to invest was made not within the West Indies but in the metropolis. In other words, from the beginning of the sugar plantation in the West Indies, the West Indies were not an autonomous economic unit. This is probably the central point.

The sugar economy started declining at the end of the eighteenth and the beginning of the nineteenth centuries. You all know the story of the movement in Britain away from mercantilism towards Free Trade. By 1800 Free Trade was in the air; there was the

thinking of Adam Smith, David Ricardo and so on, who attacked the old restrictive system which had collapsed in relation to the American economies.

You know about the American War of Independence in 1776, one of the main factors in which was the restrictions imposed by British mercantilism.

The West Indies sugar planters, however, reaped a benefit from mercantilism in that they were able to get their sales of sugar protected, receiving preference in the British market as against newer competitors like Java, in the East Indies; but the rising industrial class in Britain at that time wished to have free trade in all agricultural products, and they wished to abolish the West Indian monopoly.

The attack against the mercantile system, and particularly the West Indian interests, resulted in the emancipation of the slaves, the abolition of slavery, in 1834, and the establishment of free trade in 1846. These two acts dealt the old West Indies sugar economy a shattering blow. Its economy survived, nonetheless, largely because of the importation of cheap labour from India—at first it was Africa, and then India—and for about 70 years, from about 1847 to about 1917, the indenture system, under which labourers were imported from India under contract to serve on the sugar plantation for a number of years. This system continued, particularly in Trinidad and Guiana, and it was largely because of this system of forced labour from India that the sugar economy was able to survive.

It went creeping along, and was faced with another very severe crisis just before the Second World War, in 1938, when the world depression led to a fall in the price of sugar and when the rising political consciousness of people in the West Indies found expression in demands for greater recognition for labour and trade unions, and self-government.

It was clear to Britain in 1938, then, that the events of the first part of the nineteenth century—that is, the emancipation of slavery and Free Trade—had not really resulted in any fundamental economic, social and political reconstruction of the West Indian society. The system had revealed its bankruptcy almost a hundred years after the breakdown of the old slave plantation economy.

Of course, the usual response of Britain then, and now, when faced by a crisis either in Britain or in one of Britain's possessions,

was, and is, to appoint a royal commission. This was done, with the result that the 1938 Royal Commission on the West Indies, the Moyne Commission, named after Lord Moyne, the chairman, has become one of the best-known documents in West Indian history. The commission stated quite emphatically that the economic future of the West Indies lay in building a strong class of small farmers, a strong peasant proprietorship, and felt the sugar industry did not really hold out much hope for building up a sound economic basis in the West Indies. It also recommended a more positive role for Britain in terms of social expenditure in the West Indies. The second rather than the first part of the recommendation was accepted, with the result that after the war, from 1945 on, Britain introduced the colonial development and welfare policy into the West Indies, and began spending more money than it had spent before on things like social and welfare projects and infrastructure projects. At the same time, after 1945 there was a greater degree of popular representation in the political process accorded the people, with the result that industrialization came to be stressed by many of the popular governments which were coming into power. In fact, there was a large measure of self-government which was being achieved progressively, before full independence, a few years ago. But once the popular representation began having any say in the formulation of policy, they thought in terms of industrial development. They felt it was the thing, and to a large extent they were influenced by the kind of industrial development policy that was being carried out in Puerto Rico. This policy was based on giving generous fiscal incentives to attract foreign capital to set up manufacturing facilities within the islands.

What has happened, then, since 1945? The large islands have tried to industrialize, particularly Jamaica and Trinidad and Tobago. There has been a fairly rapid rate of growth of the manufacturing sector. Unfortunately, it has not had a large impact on the local economy. For one thing, the bulk of the raw materials used has been imported. For another thing, the processes of production used have been highly capital intensive, highly mechanized, with the result that very few jobs have been created. And, finally, the impact of the income created by the new industries on the domestic economy has not been particularly great because of the large amount of profits leaking outside to the people who own the plants.

So, for these three reasons, industrial development, although it has gone fairly far in Jamaica, Trinidad and Tobago, has not had a very big impact on the local economy in terms of either employment, using local materials and other inputs, or retaining a large part of the income generated within the country.

At the same time the population has been growing quite rapidly, and unemployment as a percentage of the labour force has been increasing. Again, domestic agriculture, as against export agriculture, has not been as successful in its performance as it could have been.

Let me explain what I mean by the term "domestic agriculture" in relation to the West Indies. From the time of the abolition of slavery there grew up side by side with the plantation system another system of small holdings which was set up by the ex-slaves and by the indentured Indians after they had served their period of indentureship. They produced export crops—sugar and bananas, cocoa and coffee—as well as the local food requirements of the country, the root crops, and so on. But, this sector has never been characterized by high efficiency in that cultivation has taken place without the use of modern techniques, without much skill, and, perhaps most fundamentally of all, without a great deal of official encouragement and support.

The domestic agricultural sector as distinct from the organized plantation sector became the neglected child of the economy, and it is only recently, with the rise of popular governments, that some serious attempt has been made to deal with this very, very important local food producing sector. Efforts are being made now, but there is still a long road to be travelled before this sector is fully transformed and this bottleneck in the economic development of the islands is overcome.

Finally, in some of the smaller territories, especially the Windward and Leeward Islands, and also in Jamaica and Barbados, the tourist industry has expanded. I personally, in common with many other people in the Caribbean, have very mixed feelings about the tourist industry. When one takes into account the fact that many of these islands are very small in physical area, especially the Leeward and Windward Islands, it is not difficult to see what an impact a tourist industry can have on the entire social structure and social climate. In a larger country

where you have a lot of tourism, such as Switzerland or Italy, it is in a sense possible to isolate the tourist industry from the main stream of life. But, in an island such as a West Indian island, where you have lots of tourism in one particular country, then that tourism tends to dominate the whole country and set the tone for the whole social life.

This is a social criticism, and not an economic criticism. There are economic criticisms to be made of the tourist industry, and perhaps when you are asking questions you may wish to inquire about those, but I consider the social deficiencies of the tourist industry much more fundamental, and before it is too late serious thought has to be given to ways and means of having a tourist industry which avoids many of the undesirable social consequences which have been the result of a large tourist industry operating in the context of small islands.

In looking at the contemporary West Indian economy, then, we can see two very important sets of characteristics. The first is what one might call the historical legacy. Today, after three-hundred years during which the West Indies have been brought into contact with the modern world economy, their economy still remains extremely dependent. In fact, they are not autonomous economies; they are not even viable economies. They depend overwhelmingly on external factors. In the field of trade they depend on the continued receipt of preferences for sugar, citrus fruits, and bananas, principally from Britain and also, to some extent from Canada. In the field of investment many of the productive assets of the West Indies are owned not by West Indians, but by outsiders or foreign corporations. In fact, in so far as the ownership pattern is concerned, there has been no change at all in the West Indies over the last three hundred years or so.

In fact, the sugar industry is still to a large extent foreign-owned, and so are many of the new industries, that have been attracted by the new incentive policies. Even the financial system and the financial institutions are to a large extent foreign-owned. Commercial banks and insurance companies are for the most part foreign-owned. Even the press and mass media are foreign-owned.

Again, if one looks at the techniques of production being used, one finds the all the important technologies are highly capital intensive, and are, therefore, not suited to the

West Indian situation where there is an excess of labour in relation to capital.

In brief, the economy remains as dependent as it was before, and is apparently incapable of generating autonomously from within any dynamic for change. We can see very clearly therefore, the historical legacy operating today. On the other hand, it becomes difficult in many areas, particularly in the manufacturing sector, to effect a transformation of the economy because of the small size of most of the islands. This clearly raises the necessity for some kind of economic co-operation, or economic integration of the several units. In fact, a scheme of economic integration has just been put into effect, The Caribbean Free Trade Association, which is usually referred to by its initials CARIFTA. It is too early yet to judge how well CARIFTA will develop, but at the moment high hopes are being placed upon it.

I do not think I need to go on any further. I have given you enough material to provide a basis for questions, and I welcome the opportunity of answering your questions.

The Acting Chairman: Thank you, Mr. Demas. Senator Grosart, I know you are one of the persons here who has read Mr. Demas' book, and I see a copy of it in front of you. Perhaps you would like to commence the questioning of our guest.

Senator Grossart: Thank you, Mr. Chairman. Let me say that after having read the book, it is my view that you need not have introduced Mr. Demas as a scholar. I found his book heavy going. Indeed, after reading half-way through it I decided I had better consult a dictionary of economic jargon in order to make sure that I was getting the message Mr. Demas was putting across. I am sure we are all very grateful to him for coming here and giving us this very useful background of the contemporary economic situation in the Caribbean.

I shall confine my questions, Mr. Chairman, if I may, to the Commonwealth Caribbean. This has been the main focus of Mr. Demas' book, and it is the area with which I am personally most familiar. My first question arises out of the last comment made by Mr. Demas about CARIFTA. Almost everybody who has examined the economy of the Commonwealth Caribbean countries seems to have reached the conclusion that the essential starting point is economic integration or the development of a viable system of economic

regionalism. Can you tell us the present status of CARIFTA in terms of, say, the Commonwealth Caribbean countries that have joined it, its prospects as you see them for the solution of some of the problems, such as domestic agricultural self-sufficiency, export substitution and intra-regional trade, and what it would mean in terms of encouraging foreign investment.

Mr. Demas: CARIFTA now consists of eleven members—the ten members of the former West Indies Federation, Jamaica, Trinidad and Tobago, Barbados, the Leeward and Windward Islands, as well as the new member, shall we say, a country that was not in the federation, namely, Guyana, the former British Guiana. British Honduras, now known as Belize by the government there, has expressed its intention of studying CARIFTA to see whether it is worth while joining it.

CARIFTA at the moment is only a free trade area. All tariff barriers and quantitative restrictions on trade among member countries have been completely removed, but each unit retains its own tariffs against other countries. It is not a customs union; it is only a free trade area. Although the heads of governments of the countries have declared their intention of studying the feasibility of a customs union—that is a common external tariff—the big problem in CARIFTA at the moment is the incidence of benefit as between the more developed countries and the less developed countries. I use the word “developed” here in only a relative sense, because all the West Indies are very undeveloped. On the one hand, Jamaica and Trinidad, and to some extent Barbados and Tobago, are industrially more developed than the Leeward and Windward Islands, and naturally the Leeward and Windward Islands would like to get as many benefits as the more developed countries can expect to get. Therefore, a number of instruments have been built into the CARIFTA treaty to insure opportunities for the less developed Leeward and Windward Islands.

✓ One such instrument is a special agricultural marketing protocol under which the member countries of CARIFTA are committed to accepting imports from regional countries of certain commodities before they import from the outside world, from third countries. This agricultural instrument has been drawn up with a view to the needs of the smaller countries to make sure that they can benefit initially by exporting agricultural and food products to the larger territories.

Another instrument is that, in respect of the reserve list, the less developed countries have a longer period of time within which to remove tariffs. Let me explain what I mean by the “reserve list”. All trade has been freed except in respect of 20 odd products. All tariffs on these 20 odd products will be phased out gradually and not immediately. This reserve list has been drawn up again largely with a view to meeting the problems of the smaller islands, either revenue problems or creating a situation in which they have an opportunity of producing industrial products. That is another instrument to help the smaller islands benefit.

A third instrument, which is not really part of the CARIFTA treaty, is a proposed Caribbean Development Bank, which would have a capital of about U.S. \$65 million, in which it is proposed that Canada and Britain should participate as non-regional members. This bank would have a soft loan fund, and it is envisaged that a large part of the money from the soft loan fund will go to the less developed countries.

Those are the three principal ways in which it is hoped the less developed countries of the Leeward and Windward Islands would benefit from CARIFTA. At the moment, though, there has been quite a large expansion of intra-regional trade in industrial products within CARIFTA, and apart from the usual stresses and strains inherent in any kind of free trade relationship it is working quite well so far, but it is only a beginning. For integration in the Caribbean to have any real meaning, a free trade area is insufficient; there must be a common external tariff, and there must be provision for what has been called regional integrated industries; that is to say, industries that draw their raw materials from within the region—and need at least the regional market to produce on an efficient scale. Studies are now taking place on regional integrated industries, and studies are about to take place on a common external tariff.

At the same time, too, it is necessary to harmonize fiscal incentives among the member countries, because one of the problems of West Indian development now is that each island tries to compete with the other to give away its badly needed revenue in the form of tax concessions to both local and foreign investors. These concessions have proved extremely expensive to the exchequer, with the result that the governments have had to raise indirect taxes, which would be on the consumer, and of course have become even

more dependent on external aid for financing capital expenditures. There is evidence that the foreign investor has been exploiting the situation by playing off one island against another. For any meaningful economic integration there must be some overall agreement among the units on the maximum level of fiscal concessions they will be prepared to give to the foreign investor.

I think the way ahead for CARIFTA is clear. At least, it is clear intellectually. Of course, when there is a large number of units trying to work out common policies together, there are always difficulties, but it is possible that the unfortunate experience with the federation will have taught a certain measure of wisdom, and it will ease some of the difficulties one can expect.

Senator Grosart: Would it be fair, then, to describe CARIFTA as a very limited form of economic integration at the moment?

Mr. Demas: Yes, that is perfectly correct.

Senator Grosart: How far advanced are the plans for making it a common market?

Mr. Demas: The plans at the moment are taking the form of studies. The governments have asked the Economic Commission for Latin America (ECLA) to conduct a number of studies on things such as regional integrated industries, the harmonization of fiscal incentives and the establishment of industries in the less developed countries. The governments are also making arrangements for a study of a common external tariff. At the moment, therefore, studies are taking place, and more studies will be taking place, with a view to strengthening CARIFTA and making it into a real common market.

Senator Grosart: As CARIFTA is presently structured does it have a capability for regional economic planning, particularly in the location of industries?

Mr. Demas: Many heads of governments who met in 1967 to consider all of these questions of economic integration passed a very important resolution. One of the clauses in the resolution said that every effort should be made to locate viable industries in the less developed countries, so one can say there is a commitment to locate industries in these countries.

Now, the decision to locate specific industries is awaiting the outcome of studies now being carried out by ECLA, the United

Nations Economic Commission for Latin America.

Senator Grosart: Do you see regional integration as being the main instrument for the transformation and restructuring of the Caribbean economy, which you stress so strongly as the future need for the region?

Mr. Demas: It is a very important instrument. I do not say it is the main instrument and for two reasons. First of all, one cannot build up a strong industrial sector on the basis of each island. The markets of each island are far too small. The largest island is Jamaica, which has two million people, and the per capita income is about \$400 U.S. dollars. The wealthiest are Trinidad and Tobago, which have a per capita income of nearly \$600 U.S., and a population of one million.

Guyana has a population of 700,000 only, and Barbados 250,000. The Leeward and Windward Islands have, between them, about 450,000 people. Each unit even the larger units is too small to support a highly industrial economy. One needs the combined market of about five million people to get on the road of sound industrial development.

The second reason is that the smaller islands have no real hope of economic transformation unless they are integrated with the larger units. Otherwise, all that the small islands can do, on the basis of the present policy, is to have more and more tourism.

Tourism can bring wealth and higher incomes as well as employment. I do not deny that, but I think that the tourist economy is a very peculiar kind of economy and it raises some very disturbing social questions. In fact, I am inclined to believe that the smaller islands, in concentrating too much on tourism, are taking the easy way out and are not really looking at the central question which is raising their agricultural productivity, especially in that part of the agricultural sector which produces food for the whole market. None of the West Indian countries have been able to break this bottleneck of having a viable domestic agricultural sector. I think, myself, that ought to be the main priority.

Senator Grosart: Along the lines of the recommendation of the Moyne Report.

Mr. Demas: That is a bit outdated, now, but I certainly think that efforts should be made to build up a small and medium sized viable farming sector. I think that the West Indies have had far too many unfortunate

experiences with the large plantations. Certainly, this is true in Jamaica, Trinidad and Guyana. An attempt is being made to build up the small and medium sized farm sectors. Of course, it takes a long time and it is difficult because the small farmer needs all kinds of services. He needs long-term credit, extension services, marketing facilities and a whole complex of services. It is a difficult job, but it has to be done.

Senator Grosart: Are there restrictions at the moment on labour mobility and immigration generally?

Mr. Demas: Yes, there is. Each of the island countries has got its own immigration laws and a work permit is required for any non-national, whether he is from the West Indies or from the outside world.

Senator Grosart: Is the permit on the basis of job availability?

Mr. Demas: It is on the basis of shortage. The permit is based on the criteria of shortage of technical skill in the particular countries.

Senator Grosart: Are there any shortages?

Mr. Demas: There is a tremendous number, especially in the technical fields. This raises a question of the brain drain. I forgot to mention that. I think it is particularly important to the West Indies today, because we are exporting a very large number of trained people, particularly to North America—Canada and the United States. What makes the West Indian brain drain different from the brain drain of the other developing countries is the fact that it consists, not only of high powered people like doctors and engineers, but also of the middle level people, or what you might call the N.C.O.'s of development, such as nurses, primary school teachers and technicians. We have a government technical institute in Trinidad and for the last two years about 80 per cent of the new technicians that graduated have immigrated to North America.

Senator Grosart: You refer quite frequently throughout your book, Mr. Demas, to the slowdown in the economy from the fifties and early sixties to the present time. You indicate that the reason is the falling off of the natural resources in export trade. Is this because some of your natural resources are being mined out?

Mr. Demas: Yes. Well, the picture has changed somewhat since that book was written. That was printed in 1964 and this is now 1969. Since 1964 there has been an upsurge of oil production in Trinidad.

One has to be a bit careful on basing oneself on Trinidad's experience in regard to predicting an exhaustion of crude oil reserves, because looking back now one has found that since oil was first produced in Trinidad in 1911, every five years or so there have been fears and apprehensions that oil is running out, yet more oil has been found at the moment. There are prospects of finding more oil off the east and north coasts of Trinidad and they are fairly favourable. This is true for oil as well as natural gas. I think that this particular apprehension about the running out of reserves of oil in Trinidad and Tobago has turned out to be not very well founded.

Senator Grosart: What about bauxite?

Mr. Demas: As far as I am aware, there are no immediate prospects of bauxite running out in Jamaica or Guyana.

Senator Grosart: Is the market diminishing?

Mr. Demas: By no means, because aluminium is perhaps the fastest growing market nowadays.

Senator Grosart: If these two basic resources hold up in international markets, do you see a prospect of a high rate of GNP growth being resumed currently?

Mr. Demas: This depends on a number of factors, namely, two things, on the tax arrangements which the governments of the Caribbean countries can make with large international corporations and also on the possibilities of further processing in the Caribbean of these materials. To the extent that the production of a mineral increases, the country where the mineral is located benefits the more, the better tax arrangements it can make. It is very important for all the Caribbean countries which have minerals to be able to bargain effectively with international corporations and to make the best type of income tax and royalty arrangements. In many of the countries with minerals, it is fairly clear that so far the optimum arrangements, from the point of view of the host country, have not been arrived at.

Again, I think it is important for more processing to be done to those raw minerals produced in the Caribbean. In the case of oil,

for example, refining is done in Trinidad. Refining is now extremely important. But I think one can go further and that it is possible to build up a petro-chemical industry based on the feedstock produced by the refineries.

The government at the moment is working on plans for this in Trinidad and Tobago.

In the case of bauxite, it is important to produce not only bauxite but also alumina as well as aluminium. This is the way in which the presence of these natural resources will bring the maximum benefit to the Caribbean, by more processing being done within this region, therefore more value being added within the region.

Senator Grosart: That is what Canadian economists have been saying about our own problem for a hundred years. I have one final question to ask on this very interesting talk and this very scholarly book.

You referred quite often to the problem of preferences. There seems to be very general agreement amongst all the developing countries, not only in this area, that a viable system of preferences is essential to the development of these countries.

Canada at one time was inclined to advise you not to get too involved in preferences, because it tended to structure your economy in a much too inelastic way.

However, the developing countries seem to be insisting on preferences. One point that you make is that, in relation to Canada, there is a problem of transportation, that is, that products from the West Indies which might be eligible for preferential treatment in Canada are trans-shipped through the United States and therefore, under our regulations are not eligible for the preference.

Would this indicate that a very important requirement in Canadian Commonwealth Caribbean relations is a better system of transport between the Caribbean Commonwealth and Canada direct?

Mr. Demas: Yes, I would certainly agree with that. Before the Second World War, in the 1930s, for example, the West Indies exported a large quantity of fruits—bananas, citrus, and so on to Canada and enjoyed preferences. But exports have fallen to almost zero now, mainly because of lack of transportation facilities or arrangements for transportation facilities.

I think this matter was discussed at the West Indies Canada Conference in 1966 and I

think the Canadian Government undertook to carry out a study of this question. I assume the studies have been carried out, but I do not know what has happened since.

Senator Rattenbury: I was taken with one remark made by Mr. Demas, in regard to the meeting of the Heads of States which took place last year—and I am voicing this prior to my question, Mr. Chairman—wherein the thought was voiced that it might be desirable to steer industry into the less developed islands.

This could very well be a recommendation to the premiers in Canada, to have the "have" provinces steer into the "have-not" provinces of Canada—because of the similarity of the problem there.

However, to come back to CARIFTA for a moment, if I may, is there a problem arising with shipments from one island to another? For example, from the Eastern Caribbean to Jamaica—in the establishment of a product in so far as it comes under the terms of CARIFTA—is there a basic requirement of the country of origin of the ingredients to make up that finished product?

Mr. Demas: Yes, there is. In any free trade area, as you know, you have these origin rules. We have used as a basic origin rule the 50 per cent of value as a criterion. Fifty per cent of the export price of the product must be produced locally. In other words, if more than 50 per cent of the export price of the commodity consists of imported materials, then the product would not qualify for free trade treatment in the other territories. That is a basic rule, but it was also supplemented by two sub-rules.

The first sub-rule is that certain basic materials are deemed to be of area origin whether in fact they are produced within the area or outside. This of course recognizes the fact that in many industries we must use imported materials.

The second basic sub-rule is the process list. That is a list of industrial processes which, once they have taken place within the region, confer area origin on the product. The process list has not been quite worked out as yet. It is about to be worked out.

Senator Rattenbury: There is a bit of a row going on now. Shipments are held up.

Mr. Demas: Yes, that is right. All sorts of allegations were made. It is a rather complex system to administer. This is one of the ar-

guments for a customs union. Under a customs union, it is not usually necessary to have the question of origin criteria.

Senator Rattenbury: May I ask another question? You mentioned tourism and the social impact and, if I am correct, the economic impact, and you agree with one and not the other, or you have reservations. Would you care to expand?

Mr. Demas: Yes. Let us take the economic aspect of tourism, which I did not deal with, really. The economic problem with tourism in the West Indies is that a large part of the income spent by the tourists in the Islands leaks out abroad. For example, a lot of the food served by the hotels is imported, a lot of the building materials used in constructing hotels is also imported. So a great part of the gross receipts from tourism does not remain within the country but leaks out, so the true impact on the domestic economy is only a fraction of the total expenditure of the tourist.

This means, in policy terms, that one has to supplement the tourist program with an agricultural program, so that more of the food requirements of the hotels are produced locally.

I think this problem can be dealt with by proper policies. This is a question of increasing the local content of tourist expenditures.

Then there is the social problem, which it is more difficult to deal with. For example, most of the best beaches in a small island can be pre-empted by hotels. Again, in some of the smaller islands, many of the hotel developers require exclusive beach rights. This means that the local populations cannot really go to their own beaches, they are kept out.

Senator Rattenbury: This is only in the smaller islands?

Mr. Demas: Mainly in the smaller islands.

Senator Rattenbury: Certainly not in Barbados and Jamaica.

Mr. Demas: I do not know much about Barbados and Jamaica in this respect but in Trinidad we have resisted this very strongly. We do not think that it is worth the economic benefit of tourism to have this system applied.

Again, tourism leads to the establishment of casinos, which could carry all sorts of implications, not simply in terms of morals or

of people gambling, but because of the kinds of things you have with the kind of people who come in for casinos and the kind of people who come in when you have casinos, and a lot of the kinds of things that go on in that case. I will not go into detail.

Senator Rattenbury: You do not need to.

Mr. Demas: This is a social problem in the West Indies, but I think the real problem is to have some kind of policy to minimize the adverse social effects of tourism. This is a very important practical problem which very few of the West Indian countries have even begun to think about, let alone solve.

Senator Grosart: May I ask a supplementary question? Is there any substantial number of tourist facilities owned by citizens of those countries?

Senator Rattenbury: Yes, there are.

Mr. Demas: I think in Barbados there is quite a lot of local ownership because a lot of hotels are really guest houses which have been converted from ordinary houses. But where you have a luxury-type of hotel, it is usually owned by an international chain. Most of the investment in the tourist industry originates externally.

Senator Rattenbury: But your largest hotel in Trinidad is locally-owned, is it not?

Mr. Demas: Yes, the Hilton Hotel is owned by the Government 100 per cent, but it is run by the Hilton chain under a management contract.

Senator Davey: Perhaps, Mr. Demas, you could give us some advice on our own very real problem of foreign ownership. What is the extent of foreign ownership in the Caribbean? Who are the foreign countries controlling the economy, in fact? I understood you to say that there were virtually no regulations to control foreign ownership. Presumably some have been considered. Have any been tried? How could the economy subsist without the massive amount of foreign capital? Finally, just a tag-on-question, Mr. Demas, I would be most interested if you would say something more specifically about the foreign ownership of the mass media, which I believe you said was total.

Mr. Demas: This is a very fundamental and wide-ranging question. The problem of the West Indies is that foreign ownership, non-West Indian ownership, has always, as I

tried to point out, characterized the economies. The economies have always been what one might call satellite economies, extensions of economies outside. For a large part of the economic history of the West Indies, the dominant economic institution was the sugar plantation owned by British residents or by British firms and later on by British companies.

Two developments in the 20th century have strengthened this trend towards foreign ownership. The first has been the exploitation of minerals, oil in Trinidad and bauxite in Jamaica and Guiana, by overseas international corporations. The second has been the industrial development policy of regional governments, which has placed emphasis on attracting branch plants of foreign companies through tax concessions. So that whereas in the 17th, 18th and 19th centuries the typical West Indian unit of production was the foreign-owned sugar plantation, today it is becoming the large international corporation.

Now, the pattern of foreign ownership has been evident in the type of development which has occurred in the West Indies from the 17th century on. This raises the question whether there has been and whether there is any real alternative. It seems to me here that one has got to be very careful. If you take a big company today in any country, by definition that company started very small. A company today which has got, let us say, a net worth of \$100 million must have started some time ago with a net worth of, say, \$1,000.

Growth takes place through compound interest, the process of plowing back profits and expanding, and one of the reasons for the continuing pattern of foreign development in the West Indies is simply the fact that foreign ownership has always existed and that it feeds upon itself: The more profits are generated, the more profits are plowed back. Therefore, foreign ownership becomes intensified.

A corollary of the pattern of ownership and the dependent pattern of the economy has been the failure in the West Indies to build up institutions for mobilizing domestic savings. Only in the last few years have we been thinking of things like financial reform and the establishment of industrial development banks and so on and so forth. But the whole institutional framework for mobilizing savings and plowing back savings domestically has not existed so that the pattern of foreign ownership has become self-perpetuating and

leads to questions such as the one you have asked, namely, what alternative form there is.

I think that, clearly, there are alternatives. One is that the governments and the public authorities have, deliberately, to build up institutions for mobilizing savings for investments, not only in fixed-interest securities, but also in risk capital, share capital. The institutional part is extremely important, and the governments have to play an extremely important part in this, either in setting up institutions or supporting institutions or through their budgetary policies, by using surpluses of tax revenues over current expenditures for financing industrial, agricultural and tourist development.

I do not think it is a question of "either-or". I do not think one should cut off foreign investment completely, but one should concentrate on policies which build up local sources of investment. Personally, I think this is the best form of outside economic aid in any situation, particularly in the West Indies. I think, if the outside agencies and countries which are giving aid to the West Indies really want to see the West Indies become more autonomous in terms of their economy, they should think of ways of building up these institutions which can generate domestic sources of capital for domestic owners.

Senator Grosart: Would you hazard a guess as to whether the percentage of foreign ownership of the components of GNP or DNP in the West Indies is higher or lower than it is in Canada?

Senator Prowse: Let him give us his percentages and then we can make the calculation ourselves.

Mr. Demas: I would just like to finish answering Senator Davey. One of the features of the present pattern of West Indian economy is that only very recently has the question of foreign ownership been considered a problem. Therefore, no official statistics have been collected on the subject. In fact, a study is now taking place on this question in connection with CARIFTA.

One of the decisions taken by the ministers in CARIFTA was to study the impact of foreign ownership on the economy in CARIFTA countries as a basis for drawing up co-ordinated policies, so a study is now proceeding on the subject. There are no hard data at the moment, and one has to rely only on qualitative impressions.

If one looks at countries like Trinidad and Tobago, one finds the oil industry foreign owned, the sugar industry foreign owned, and that most of the new manufacturing plants which have been established are foreign owned.

Senator Davey: Do you mean 100 per cent foreign owned?

Mr. Demas: Most, not 100 per cent. Most of the money invested in manufacturing has come from outside corporations.

One of the daily newspapers in Trinidad is owned by the Thompson chain. I think that Lord Thompson is, or originally was, a Canadian. One part of the television station is owned by the Thompson chain, and another English, with a 10 per cent Trinidad and Tobago government holding. All the commercial banks in Trinidad and Tobago are foreign owned, and all the life insurance companies except one. So, when one looks around qualitatively, one finds the dominance of foreign ownership of the economy, and only now an attempt is being made to measure it precisely.

The Trinidad and Tobago government has recently formulated certain policies in relation to foreign ownership. First of all, the government is going to establish a national oil company which will have holdings in a number of operating fields, and the first holding will be in respect of certain oil properties now owned and run by British Petroleum. That will be the first holding of the national oil company.

In the area of sugar, the government of Trinidad and Tobago has recently acquired a rather small sugar estate owned by a British company. In the field of the mass media the government has decided to acquire one of the radio stations owned by Lord Thompson, and it will also acquire majority ownership in the television station in which the Thompson holdings have participated.

So, certain policies are now being put into effect to have a greater degree of national ownership and, therefore, national direction of the economy and of the society.

I know that the figure for foreign ownership in Canada is rather high. I read the recent report of the task force on foreign ownership, but I cannot recollect the figure.

Senator Grosart: The Watkins report.

The Acting Chairman: Does that answer your question, Senator Davey?

Senator Davey: Very well, thank you.

Senator Prowse: Mr. Demas, I assume the value of the export to any country is the value added you are able to retain in that country. Would you agree with me on that premise?

Mr. Demas: I fully agree with you, and it is very important in the West Indies. The figures on exports are quite misleading because you may have figures on a certain commodity, say, oil, which look extremely large on paper and in the trade returns, but when you analyze it and look at the income obtained from oil within the country, then you find only a fraction of the gross earnings are retained within the country. In fact, oil contributes to the economy of Trinidad and Tobago in two ways: through the wages and salaries paid locally; and through the taxes paid to the government. When you add the two together, you find the contribution to the economy is much less than the export figures suggest. You find this in many other industries. On the national level there is a big gap between the national and domestic product in all the countries.

Senator Prowse: Off hand, could you give us what is the proportion of your oil exports that go out as crude for processing elsewhere and the proportion you are able to send out as refined or finished or semi-finished products, with a value added?

Mr. Demas: The oil industry of Trinidad and Tobago has gone a very long way to refining local crude. Only a very small percentage, something of the order of 5 per cent, of crude oil produced locally is exported in the form of crude, and that is to Canada, for some reason. There is a B.P. arrangement under which a certain amount of crude has to be delivered to Canada, but, apart from that, all the crude oil is refined locally and a lot is imported for refining locally.

Senator Prowse: Do you import for refining as well?

Mr. Demas: Yes, we do.

Senator Prowse: Would that offset your 5 per cent export?

Mr. Demas: No, the arrangements made for refining imported crude oil are rather peculiar. The earnings from the refining locally of imported crude oil are not really part of, or treated as part of the domestic economy.

There is one large international company which imports crude from Venezuela and the Middle East, which refines it in Trinidad at a refinery and delivers it to the head office in New York, for a fee. So, the country gets the processing fee minus the cost of the production of the oil at the refinery. This is a special processing arrangement.

Senator Prowse: So, where the refinery is externally owned, then it is a highly capital intensive proposition and, as a consequence, a great deal of your value added leaks away?

Mr. Demas: Yes.

Senator Prowse: What about bauxite? Do you have a processing plant down there?

Mr. Demas: Bauxite is found in Jamaica and Guyana. At one time the percentage of alumina was rather small in both countries, but greater in Jamaica. More recently Jamaica has made new arrangements for a greater amount of refining of bauxite into alumina. It was quite a big achievement, really. However, neither in Jamaica nor Guyana is aluminum the final product produced; it is alumina. If aluminum were produced, a large amount of additional value would be added to the local economy.

Senator Prowse: And jobs, presumably.

Mr. Demas: Yes.

Senator Prowse: Are the refineries pretty well modern, automated plants, with relatively low labour costs?

Mr. Demas: Yes, indeed, highly capital intensive. They employ very few people indeed. That is why the tax payments of these mineral corporations are so important. They do not generate very much labour income, so the taxation part is what the country really gets.

Senator Prowse: We have problems there too. What are your royalty and taxation arrangements in so far as oil is concerned?

Mr. Demas: Trinidad is the only country producing crude oil significantly or at all in the West Indies, and our royalty is 10 per cent of the field storage value based on the Gulf price.

Senator Prowse: That is on the price delivered to the American gulf ports?

Mr. Demas: Yes, it is the posted price, 10 per cent.

Senator Prowse: And then your taxation?

Mr. Demas: The income tax is at a rate of 45 per cent on the net profits of the corporation. That is the general income tax for oil, and everybody else—45 per cent.

Senator Prowse: That is on the net?

Mr. Demas: Yes.

Senator Prowse: Do you have a depreciation allowance as well?

Mr. Demas: Yes, we do.

Senator Prowse: At what rate is that?

Mr. Demas: That is rather flexible. Normally the guaranteed allowances are the subject of negotiation between the particular company and the inland revenue authorities. Then there are other special allowances for the oil industry. There is a submarine well allowance which, in respect of a marine well, is equivalent, I think, to 20 per cent of the value of the crude oil.

The Acting Chairman: That would be a depletion allowance?

Mr. Demas: Yes, it is what is called a depletion allowance, but it is not really the same as a depletion allowance in the United States, because in Trinidad and Tobago it is the Crown which owns the resource, and it is the Crown which gives a lease to the company. I really do not think, Mr. Chairman, that one could call it a depletion allowance, because a depletion allowance in the United States, as I understand it, is meant to compensate the owner of the resource for a wasting asset, whereas in the case of the allowance that is negotiated in Trinidad it is the Government which owns the asset. It is purely an incentive in the case of Trinidad, and not a strict depletion allowance.

Then, in addition, one has an initial allowance. When one makes either a new or a replacement investment he gets 20 per cent of the investment in a particular year offset against his income tax. So, there are very generous capital allowances.

Senator Prowse: And how often are these allowances negotiated? Are they negotiated annually, or at the beginning of the lease term?

Mr. Demas: Well, you see, oil allowances are set out in the law. The only allowance which is negotiated is the wear and tear allowance—the annual wear and tear allow-

ance. All the other allowances are set out in laws.

Senator Prowse: You do not recognize as a principle in respect of your allowances the fact that you have a wasting asset, and that is because it is the Crown's asset to begin with.

Mr. Demas: That is right

Senator McLean: In answer to Senator Rattenbury's question on the economics of tourism, you said that there was a leak because the hotels were importing food. Are we to understand from that that the islands are capable of producing that food, but that that capability is not developed, or is it that the hotels just do not purchase the local food?

Mr. Demas: It is really both. First of all, the islands do not produce enough food to meet the needs of the hotel industry, but, at the same time, where the food is produced the operators of the hotels feel that the tourist should get what he is accustomed to and he therefore continues importing the stuff from Miami, California, and so on. In other words, the hotel operators tend to play it a bit too safe, and they feel they should give the visitor what he is accustomed to in Canada or the United States, rather than the local fare.

So, I think both factors come into play. In Trinidad and Tobago we have been trying, through the government marketing agency, to persuade the hotel interests to buy more local food, and there are signs now of some slight positive response, but we still have a long way to go.

The Acting Chairman: Senator Martin, do you have a question?

Senator Martin: Thank you, Mr. Chairman. What is the extent of Canadian importation of bauxite from Jamaica and Guyana as compared to United States' imports? Do you know that offhand?

Mr. Demas: I know that ALCAN operates in Guyana, and they also operate in Jamaica, but Jamaica has also Kayser and Reynolds. I think in Jamaica most of the bauxite goes to the United States, whereas in the case of Guyana most of it goes to Canada. But, I cannot give you the exact figures offhand.

Senator Martin: But the Canadian operation in Guyana is bigger than the American operation?

Mr. Demas: That is right.

Senator Martin: I was wanting to know the comparison, because you did raise the question of possible greater rationalization for home purposes.

You spoke about the tourist industry with mixed feelings. You spoke of its social as well as its economic consequences. How far would you go, Mr. Demas, in meeting what you would regard as the negative aspect of the social implications? Would you limit the tourist industry?

Mr. Demas: Well, in Trinidad and Tobago, the Government has been accused by the local private sector of being somewhat lukewarm about the tourist industry. I do not think that that is really so. But, we have insisted on certain safeguards for the local population. For example, our policy is as follows:

- (1) No casinos under any conditions;
- (2) No exclusive beach rights;
- (3) No exclusive tourist colonies or tourist residential areas;
- (4) No discrimination in hotels against the local population.

Once these conditions are satisfied we can accept a fairly large expansion in the number of hotels, and a fairly big increase in the number of visitors. I think that they are sensible conditions.

Senator Grosart: What is your definition of "exclusive" in that context?

Mr. Demas: Exclusive beach rights?

Senator Grosart: Yes.

Mr. Demas: Exclusive in the sense that the operators of the hotel can keep out people from the hotel premises and the beaches. That is what we mean. There must be open access to the hotels and open access to the beaches.

Senator Rattenbury: Why does this take place in Trinidad, and not in any other island?

Mr. Demas: I cannot answer that question. This is how we feel in Trinidad.

Senator Rattenbury: But this does not exist in the other islands.

Mr. Demas: What?

Senator Rattenbury: The exclusive clause. I know the islands very, very well, and I do not know of any exclusive clause by which

the local populace is excluded from the beaches.

Mr. Demas: Yes.

Senator Rattenbury: Where?

Mr. Demas: I shall not mention names because that might be invidious, but there are certain places where only one or two selected persons of local origin can get in. In fact, a subtle exclusivity does exist. I shall not give names, but this is a fact, and every West Indian knows it. I am not quoting the name of the any particular island or hotel because that might be invidious.

Senator Martin: What proportion of the GNP—of course, you have been speaking primarily of Trinidad and Tobago, but I am thinking now of the Commonwealth Caribbean as a whole. Can you give us an indication of what proportion of the GNP the tourist industry would be? For instance, in this country one of our main exports, objectively at any rate, is the tourist industry, and it forms a very great part of our GNP. What proportion, roughly, is it of the GNP in the Commonwealth Caribbean?

Mr. Demas: Of course, it varies from island to island. In Barbados, say, it would be rather high. I am guessing here, but in Barbados it would contribute 15 to 20 per cent, probably 20 per cent of the GNP, whereas in Trinidad and Tobago it is a much smaller percentage. However, for the whole Commonwealth Caribbean, a very crude guess would be about 10 per cent. That is very, very crude.

Senator Martin: You are not objecting to that, but what you are insisting on is the establishment of certain guidelines that would avoid discrimination against the local population?

Mr. Demas: That is right.

Senator Martin: The encouragement of the use of local products, things like that?

Mr. Demas: Local products.

Senator Martin: You are not opposed to the tourist industry as such?

Mr. Demas: No, I am not opposed to the industry as such.

Senator Martin: Is it not a fact that economic studies show that within the next decade the industry will increase tremendously?

Mr. Demas: Yes it will. It will increase at about 14 per cent per annum, which is very high, because of rising incomes in North America, the availability of the jumbo-jet and so on.

Senator Martin: You spoke of CARIFTA. Here I have in mind particularly the failure of federation. Is there any political basis to CARIFTA, such as for instance the analogy provided by the Treaty of Rome? Is there any indirect objective?

Mr. Demas: No, no indirect political objective has been written into the CARIFTA agreement. It is merely an economic document and talks about the ultimate objective of building up a viable Caribbean economic community. At the same time there is, especially in the eastern Caribbean, a certain amount of sentiment about closer economic co-operation. Even though the motives at this time appear to be hard-headed economic motives, in the eastern Caribbean there is a certain amount of sentiment attached to the idea of the various countries coming together, even for purely economic purposes, but there is no formal declaration of political objective, long-run political objective, set out in the treaty.

Senator Martin: Is there any economic objective in the growing support by sovereign states of the Commonwealth Caribbean for participation in the Organization of American States?

Mr. Demas: At the moment two countries are members of the OAS, Trinidad and Tobago, and Barbados. Jamaica has made no decision. Guyana probably would not be able to get membership even if she applied.

Senator Martin: Because of the boundary dispute.

Mr. Demas: Because she has a boundary dispute with Venezuela. Certainly in Trinidad and Tobago most people have taken membership of the OAS as a natural matter, a matter dictated by geography more than anything. else, more than political sentiment; it is a natural step arising from geographical factors, geo-political factors, but at the same time there is no sort of strong political commitment or political antagonism to the idea of the OAS.

Senator Martin: My question was whether there was an economic motive as well as a political motive.

Mr. Demas: Yes, there was an economic motive in the case of Trinidad and Tobago, which has access to the Alliance for Progress funds, especially through the Inter-American Development Bank, and at the same time possibilities for trade in the future with the Latin American Free Trade Area and the Central American common market. So far Trinidad and Tobago has been concerned only with financial matters, especially with membership of the Inter-American Development Bank. Nothing concrete has emerged in terms of realizing the possibilities of a relationship with the Latin American economic bloc or the Central American common market, but the long-run possibilities are there.

Senator McDonald: Mr. Demas, you were discussing the tourist industry in the Caribbean area and made reference to the fact that a lot of the tourist dollar leaks out into other parts of the world, especially through the purchase of food to provide the tourists with the food they are accustomed to at home. It seems to me that the Caribbean area is able to produce most of the fruit and vegetables needed by both the local population and the tourist industry. Is that correct?

Mr. Demas: The operative word there is "could". If you say "could produce" I would agree with you. I think that the agricultural potential of the Commonwealth Caribbean has not been fully utilized and there is great scope, not only for supplying more of the tourist food requirements, but also more of the needs of the inhabitants themselves for food. There is great scope for food import substitution throughout the whole West Indies. I think I indicated the historical reasons why the food-producing sector of the economy still remains so underdeveloped. The simple answer is that historically throughout the centuries colonial governments concentrated their research activities and their assistance on the plantation sector, particularly sugar. It is only recently, say in the last ten years, that a serious attempt has been made to tackle the problem of developing the local food-producing sector. It is a slow task. Some results are being shown now but we still have a long way to go.

Senator McDonald: What are the economics between the production of sugar cane and the production of vegetables from an acre or plot of land?

Mr. Demas: It all depends on the crop. Vegetable cultivation is very land intensive and a small amount of land under vegetables can yield a very high income. Generally

speaking, though, there is one thing to be said in favour of sugar—and this is generally speaking—which is that it does tend to be fairly labour intensive. This state of affairs, however, will soon disappear because the sugar companies, in an effort to cut the costs of production, are thinking of introducing mechanical harvesters. They started in Trinidad but they have been stopped by the government pending the recommendations of a commission of inquiry into the mechanization of sugar harvesting. In many of the other territories they have not been allowed to start, and they claim that it is the only way to cut down their production costs so that they can become more competitive. To the extent that the sugar companies are allowed to mechanize, one of the main economic arguments in favour of the sugar industry will tend to be seriously weakened.

Senator McDonald: What percentage of meats, whether red meats or poultry, would be imported into the Caribbean area, or the area we are discussing?

Mr. Demas: In the Commonwealth Caribbean there are very large imports of red meat—beef, mutton and so on. Whereas in one or two islands self-sufficiency in poultry has been obtained, I do not think that most of the islands will ever be self-sufficient in meat and we will have to rely on Guyana or British Honduras (Belize) for beef if the regional integration movement gets going. It is possible to become self-sufficient in poultry fairly quickly, but the problem of self-sufficiency in poultry is that it is only an apparent self-sufficiency because most of the feed stuffs for the chickens has to be imported. In fact, although Trinidad and Tobago has eliminated practically all imports of poultry, at the moment we are spending about 80 per cent of the value produced by the poultry industry on imports of feed. Unless we do something about this feed problem, import substitution in livestock will be apparent rather than real.

Senator McDonald: What is the comparison in cost between imports and local production with regard to red beef?

Mr. Demas: I cannot say offhand, but we—that is, Trinidad—could import a lot of beef from Guyana at an economic price, except that there is a problem of foot and mouth disease, especially in the highlands near the Brazilian border. As far as I am aware, regarding beef from Guyana, it can be landed competitively in Trinidad. I cannot give the exact figures.

Senator McDonald: Competitive with whom, New Zealand and Australian production?

Mr. Demas: New Zealand and Australia.

Senator Gouin: I have listened with great interest to the remarks of Mr. Demas. There is no doubt that he has an excellent education and training, but I would like to ask him a question about education and social welfare in Trinidad. Before studying at Cambridge, Mr. Demas graduated from Queens Royal College in Trinidad. Is that the University, or is that the equivalent of an arts course, and in all events, are there universities in Trinidad or in the West Indies? If there are no universities for the study of engineering or medicine, for instance and concerning hospitals, where do people from Trinidad go to obtain that training?

Mr. Demas: To answer your first question, first, Queens Royal College is a secondary school. It is a high school, as you would say in Canada. It is not of university level. Now, if you look at the educational system in the West Indies, you will find that it is modelled to a large extent after the British system. There is a primary school for people aged from five or six to 11. The secondary school is what you would call the high school here for those aged from 12 to 17 or 18, and then there is the university. At the moment, primary education is free and compulsory all over the West Indies and in most of the islands I believe nearly everyone goes to a primary school.

Primary education is more or less complete in the sense that practically everyone attends a primary school free of charge. The secondary level remains selective in that entrance to secondary schools depends, in most of the territories, on one's passing a special entrance examination. After that, of course, it is the university. There is a University of the West Indies, with branches. The main centre of the university is in Jamaica, but there are campuses in Trinidad and Barbados. At one time Guyana participated in the University of the West Indies, but a few years ago, under a previous government, Guyana decided to set up its own University of Guyana. Now, the educational system is not very well suited to West Indian conditions. It is still largely British oriented. If one takes, for example, the secondary school, one finds a predominance of the academic subjects, the scholastic subjects.

The big deficiency in West Indian education at all levels is that there is not enough being done for vocational and technical education. This is perhaps the central weakness. However, at the university level there is a faculty of engineering and agriculture located in Trinidad, and a faculty of medicine located in Jamaica. However, both the engineering and the agricultural faculties in Trinidad, as well as the science faculties, find that they are not getting enough applicants. Too many of the graduates in the secondary school system still prefer to go and do a degree in arts and arts subjects rather than sciences or technical subjects. This is because of the weaknesses and orientation of the secondary school system. We are still putting too much stress on the traditional arts and there are not enough facilities for training in science. From an academic point of view, I think the level of the education is fairly high, but in terms of turning out trained manpower it has not really begun to meet the real needs of the area. Furthermore, even when the new technical institutes are turning out trained craftsmen, many of them have recently been tending to emigrate to North America—Canada and the United States.

The Acting Chairman: In regard to timing our adjournment the CBC people are waiting outside and we have told them we would have Mr. Demas available shortly before 1 o'clock, therefore, we might close with questions from Senator Martin and Senator Fergusson.

Senator Martin: I have just one question. We have been privileged to have a very authoritative voice from the Caribbean this morning. The questions and the answers have been directed generally to the matters that are not necessarily related to the relationship between Canada and any of the Commonwealth Caribbean countries. I am sure that Mr. Demas is aware of the rise in Canadian official interest, particularly in the Commonwealth Caribbean as represented by the conference of two years ago. What would Mr. Demas ask of this committee as an indication of what he believes should be the developing relations between Canada and the Commonwealth Caribbean countries in economic, including aid as well as in political terms, generally?

Mr. Demas: This is a very far-reaching question, Mr. Chairman. However, I shall try my best to answer it as briefly as I can. I would say that in terms of economics, and

speaking generally, Canada could make its greatest contribution to the Commonwealth Caribbean countries in the following ways: first of all, the brain drain. As I said, we are very much concerned with this question. Even though I am not sure whether there are any practical answers, certainly I think a considerable amount of thought has got to be given to ways and means of halting the outflow of trained people from the West Indies to Canada. As I said earlier, the brain drain affects us more than most other developing countries because it is not only the top level people, the high level skills, it is also the middle level skills of which we are being drained. One also has a problem of people studying abroad in North America—the United States and Canada—and then deciding to stay on to get experience in the particular field. Of course, very few of them return because they get used to a certain level of salary and so on and so forth.

It is an extremely difficult problem, but I feel that it is not in principle insoluble, and I feel that Canada can make a contribution to the development of the West Indies, by giving thought, jointly with the West Indies, to ways and means of halting an excessive outflow of trained manpower from the West Indies into Canada, while at the same time providing opportunities for emigration, for the not so highly trained. In other words, the brain drain problem in the Caribbean, is, in a sense, a migration problem. It can be described as a structure, a skill structure of emigration, which is very different from the skill structure of the population of the West Indies, because any representative group of emigrants from the West Indies to Canada will be found to have a much higher proportion of skills than any representative group of people within the West Indies. This is a major area of weakness in the economy. The economy cannot retain its skilled people, it loses them both to the U.S.A. and Canada.

It seems to me that this is probably just as important and probably even more important than the receipt of economic aid by the West Indies. I think, therefore, in the first place, something will have to be done about this difficult problem of the brain drain.

Secondly, Canada can certainly increase her aid to the West Indies, but in my opinion should increasingly relate it to the purposes of economic co-operation and economic integration in the area. May I emphasize, Mr. Chairman, that these are all my personal views, these are not the political views of the

government. These are personal views of one who is interested in West Indian economic development.

And in the area of aid, I can suggest, again personally speaking, certain technical improvements. For example—personally speaking—I see no reason why Canada could not experiment with program aid as distinct from project aid, to a selected area such as the Commonwealth Caribbean.

I know all the arguments against program aid, namely, that the donor country has not as great an opportunity of supervising the use of its aid funds as it would under aid given for specific projects. I take that point. But I see no reason why, as an experiment, for say a five-year period, a period of a development plan, in a Commonwealth Caribbean country, Canada could not experiment with giving program aid, with looking at the development plan of the country as a whole, looking at its needs for external financing, deciding to finance a proportion of those needs for external financing, and simply making the money available over the five-year period.

Of course, there can be provision for review to see how the money is being spent, how well the plan is being implemented and so on and so forth.

Of course, if the Government of Canada is not satisfied with the operation of program aid, it can always terminate it and revert to project aid. This is just one example of experimenting with ways and means of improving technically the aid effort. As you all know, and this is not true only of Canadian aid, project aid, whether it is given by a country or whether it is that of an international organization, is very time consuming for both sides, and involves both on the donor and on the recipient a lot of paper work, a lot of supervision and so on. Therefore, I think this is one example of one area in which the aid effort might be improved on, technically.

Senator Grosart: Has not Canadian aid moved rather significantly in that direction, in the last few years?

Mr. Demas: No, it is still project aid, really.

Senator Martin: The dollar value is away up.

Mr. Demas: Yes, the dollar value is away up, but it is still tied to specific projects. It is not given to finance the general program of the country.

Senator Grosart: We have a good many "programs" in the Caribbean in our general aid mix.

Mr. Demas: Yes, this is a semantic question. When I say program aid, I do not mean aid for a sector of the economy as against a specific project. I did not mean aid for an education program as against one school. I think Canada is moving into that now, looking at the whole sector. I am thinking instead of a broader connotation of program aid, giving aid for the entire program. For example, if over five years a Commonwealth Caribbean government decides on plans to spend \$100 million on capital development works and it can provide, let us say, \$50 million from its own resources, from taxation and from local borrowing, and it has a gap of \$50 million, which can be covered or which remains to be covered by foreign sources of funds. Of that \$50 million it can borrow, let us say, \$10 million in loans on the private capital markets and it can get, let us say, \$30 million from, let us say, multi-lateral and bi-lateral sources. What I am saying is that Canada should then chip in and provide the remaining \$10 million to finance the general development plan of the country. That is what I mean by program aid, so that is a semantic problem.

Senator Grosart: I think our department uses "program aid" in a different sense.

Mr. Demas: Yes, it is a semantic problem. Finally, Mr. Chairman, in the field of capital investment, between Canada and the West Indies, as distinct from aid, I think that in Canada, in so far as it is possible for the Government to influence the activities of private firms, it would be important for private capital to flow from Canada to the West Indies, in such a way as would not perpetuate the traditional character of West Indian economy, as would not lead to exclusive ownership of productive assets in the West Indies by Canadian firms and Canadian residents.

For example, joint venture operations would be a very useful and progressive form of Canadian private investment in the West Indies.

At the same time, I see no reason why the Government of Canada could not give aid to governments to enable them to participate, along with private capital, in productive activities.

In other words, I feel that Canada's programs in the West Indies should be geared to

diversifying the economy and to changing the traditional pattern of foreign ownership in the West Indian economy.

Senator Grosart: Are you saying, in effect, that our aid should be untied, Mr. Demas?

Mr. Demas: No, that was a different issue. I was not talking about tied aid as against untied aid. I was talking about aid in support of general development plans, as against aid that is related to a specific development project. I was not referring to the issue as to whether Canadian aid should be tied to Canadian goods and services or should be used for any purpose. I am not prepared to comment on this question, as to whether it should be tied to Canadian goods.

Senator Grosart: Is it not so that there is far less of an element of tied aid in program financing than in project financing?

Mr. Demas: No, I think this is true of the specific project.

Senator Fergusson: Honourable senators, Mr. Chairman, I have a few questions but I know the time has gone. I am sure Mr. Demas must realize, from the absorbed attention which has been given to him this morning, that Canadians are deeply interested in trying to learn what they can do to help with the development the West Indies.

I am happy to have an opportunity to express our appreciation for the time and the detailed information which Mr. Demas gave us this morning and the very excellent replies and explanations he made to our questions. It is easy enough to make a speech; it is not always so easy to give clear replies to questions, especially when you do not know what they are going to be.

Because of his book, which we are very happy to have as a reference and which I know will be most useful in our study, we felt we knew Dr. Demas, and we realized the extensive knowledge he has of economics generally and especially of the economics of the Caribbean.

Everyone who has listened to him this morning, I am sure, feels with me that the Government of Trinidad and Tobago is most fortunate to have as head of its economic planning division in the office of the Prime Minister such a very knowledgeable person as Dr. Demas. I am sure that that country will benefit through his knowledge and the

progressive ideas and plans that he will no doubt suggest. We thank you very much, Dr. Demas, for coming to us and giving us this wonderful morning.

The Acting Chairman: The meeting is terminated.

The committee adjourned.



First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA
PROCEEDINGS
OF THE
SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 3

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APR 1 1969



UNIVERSITY OF TORONTO

TUESDAY, MARCH 4, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Mr. John N. Plank, Senior Fellow at Brookings Institution,
Washington, D.C., U.S.A.

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Belisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Alcide Paquette
Clerk Assistant

MINUTES OF PROCEEDINGS

Tuesday, March 4th, 1969.

(4)

Pursuant to adjournment and notice, the Senate Committee on Foreign Affairs met at 11.05 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Carter, Davey, Eudes, Grosart, Haig, Lang, Macnaughton, Quart, Robichaud, Sparrow and Thorvaldson (13).

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

On motion of Senator Haig,

RESOLVED: That the Senate Committee on Foreign Affairs enter into an agreement, with the *Parliamentary Centre for Foreign Affairs and Foreign Trade*, for the provision of research assistance and other services; such agreement to be effective as of February 6th, 1969.

The Chairman of the Committee (Senator Aird) thanked Senator Thorvaldson for having acted as Chairman during the Committee's meeting on February 25th, 1969.

The Chairman then introduced the witness:

Mr. John N. Plank,
Senior Fellow at Brookings Institution,
Washington, D.C.

The witness made a statement respecting the Caribbean area with particular attention to Cuba; he was questioned on that statement and on related matters.

The Chairman drew to the attention of Committee members the presence of the Honourable Eric Gairey, Premier of Grenada, West Indies.

The Committee thanked Mr. Plank for his contribution to the Committee's studies.

At 1.05 p.m. the Committee adjourned until 11.00 a.m. Tuesday, March 11th, 1969.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

John N. Plank, a Senior Fellow at the Brookings Institution in the program of Foreign Policy Studies, is former Director of the Office of Research and Analysis for American Republics in the State Department's Bureau of Intelligence and Research. Before entering government service he had served as Professor of Latin American Affairs at the Fletcher School of Law and Diplomacy and had taught political science at Harvard and Northwestern Universities. Holder of an A.B. and a Ph.D. from Harvard and an M.A. from Haverford College, he is responsible at Brookings for planning of research and related activities concerning non-economic aspects of development in emerging countries. Mr. Plank is the author of articles and essays on inter-American relations, and editor of the book *Cuba and the United States: Long Range Perspectives*.

THE SENATE THE SENATE COMMITTEE ON FOREIGN AFFAIRS EVIDENCE

Tuesday, March 4, 1969.

The Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, first of all, I ask the indulgence of the witness while we do some housekeeping. Your steering committee has recommended that the Senate Committee on Foreign Affairs enter into an agreement with the Parliamentary Centre for Foreign Affairs and Foreign Trade for the provision of research assistance and other services, such agreement to be effective as of February 6, 1969. This matter has been discussed fully in committee, I believe, and the steering committee makes this recommendation in the interests of having it on the record. I would entertain a motion for the adoption of this recommendation.

Senator Haig: I so move.

Senator Lang: I second the motion.

The Chairman: Is it agreed?

Hon. Senators: Agreed.

The Chairman: I apologize for my indisposition last week. I had a severe attack of bronchitis, and I thank Senator Thorvaldson very much for taking on the role of acting chairman, and also for the excellent way in which he conducted the meeting. The transcript that I read is first rate, and want to record here my thanks to Senator Thorvaldson.

Last week this committee heard evidence on, and discussed at some length, the economic characteristics and problems of the Caribbean region. Today we will be discussing the region's political characteristics and problems.

The committee is privileged to have before it Mr. John Plank from the Brookings Institution in Washington, D.C. As can be seen from the biographical sketch that has already been distributed, Mr. Plank has been actively involved in the investigation of political problems in Latin America and the Caribbean. It is, therefore, most opportune that he has been able to come to Ottawa to give us the benefit

of his knowledge and experience at this particular stage of our deliberations.

I understand that the Clerk of the Committee has already sent to each member of the committee a copy of M. Plank's paper "Neighbourly Relations in the Caribbean", which outlines the widely divergent political philosophies and systems that exist in the region. It describes the problems of political development, giving the region's unique geographical features, and, most importantly it includes ideas about suitable policies that Canada and the United States might adopt to assist in the region's political development.

I was discussing this paper with Mr. Plank this morning, and although it is several years' old I think those of you who have had an opportunity of reading it will agree that it is still very topical. I am confident that it will have generated a number of questions in your minds. In the interests of order, and following the instructions of the steering committee, I have asked Senator Lang if he will lead the questioning after Mr. Plank has concluded his introductory remarks, after which we shall carry on in the usual manner.

Mr. Plank?

Mr. John Plank, Brookings Institute, Washington: Thank you very much, Mr. Chairman. Honourable senators, I am indeed pleased and truly honoured to be here. I will qualify that only by saying that, because I seem somewhere during the last two days to have picked up the granddaddy of all colds, I wish we were *in* the Caribbean region instead of just talking about it. I know that I am not in a position to suggest that we adjourn to Anguilla or something of that sort; and I am indeed delighted to be here, I hope you will forgive the hoarseness of my voice.

In preliminary discussions with Mr. Dubell about what would be most appropriate for me to deal with here it was agreed that I might consider with you in a preliminary form, looking toward a substantive discussion among us, three themes: the problem of political development in the Caribbean; the prospects for revolutionary violence in the region; and, of course, related to that second point, Cuba, the role

of Cuba in the Caribbean today, the prospects for the reincorporation of Cuba into the more narrowly defined Caribbean family, the more broadly defined western hemispheric family.

Because you have the paper I prepared a few years ago, I want this morning to spend more time on the Cuba question than on the other two topics on our agenda. However, let me give a moment or two to the first two points, namely the political development question in the Caribbean region and the nature of violence as it seems to be emerging in that area.

The political development challenge of the Caribbean, of course, is to be looked at from both the internal perspectives of the independent countries themselves and in a broader regional sense. Internally the societies face all the problems that developing countries around the world face, although evidently in very markedly different degrees.

Here let me interject just one or two comments. Like most Americans, I come to the Caribbean from Latin America. That is, until the winds of change wafted the British dependencies over our way, the Caribbean from the point of view of the United States pretty largely stopped at Hispaniola or Puerto Rico, and we were not prepared at the time Trinidad and Tobago, Barbados, Jamaica and Guyana achieved independence, psychologically or intellectually really to incorporate them in the Caribbean. This has been an intellectual problem for us. It is just the reverse of the problem I have reason to believe confronts most Canadians, who when they think of the Caribbean tend to think largely in terms of British or former British dependencies.

The diversity of the area is evident when in the Caribbean we see societies as different as Haiti on the one hand and Barbados on the other, one by most conventional standards a fairly highly developed society, the other by any set of indices one of the most backward societies in the world. Nevertheless, in Barbados as in Haiti there are all of the standard problems that confront developing countries today—the problems of population pressure, of mass unemployment, of rising expectations and demands for education and services, the whole lot.

The political development challenge confronts political authorities in these societies with their very limited resources in the form of a demand that they meet simultaneously three, not necessarily compatible, and frequently only very awkwardly compatible, requirements: the requirement for domestic peace; the requirement for progress, economic advance, which is the hallmark of a successful society today; finally, and increasingly, the requirement or the demand coming up from below for meaningful popular participation. The stresses and

strains and demands placed upon political leadership in the face of these requirements are immense.

In the region, as you know from your firsthand observation, from your reading and from those who have appeared before you, the former British dependencies come to this challenge with a substantially better endowment of leadership skills, institutional order, habits and behaviour appropriate to the demands of modernization than do the countries of the Latin Caribbean. Barbados, Trinidad-Tobago and Jamaica, while having very serious problems, which undoubtedly will become more serious, are still in a much better situation to cope with those problems in their political aspects than are the remaining territories of the region. I am sure you have discussed at length at your previous meetings the fact that Guyana has a very special situation deriving from the complicated overlay of ideological division upon a racial division. Haiti is probably the only society in the world which has had a fairly consistent negative growth rate since 1804, really an extraordinary republic. The Dominican Republic, next to it, falls somewhere between Haiti on the one hand and the more highly developed societies like Jamaica on the other.

We can in the discussion period go into as much detail as seems desirable and useful about the specific political development challenges in the area, but I want to pass now to what I really think is at the root of our concern here, which is that even if on the internal side these societies are able to maintain order, it is almost impossible for them to look forward to meaningful advance of a material sort, or meaningful sovereign independence as conventionally defined, because of their tiny size, because they are effectively mini-states. The political development challenge, therefore, at the external level is a regional one: what can be done to enable these culturally and otherwise diverse heterogeneous entities to make a sort of political accommodation, both among themselves and with the more powerful states around their periphery—Canada, the United States, Mexico, Colombia, Venezuela? What kind of political adjustment or political arrangement can be achieved that will at once permit them to maintain their cultural integrity, to maintain their autonomy, to maintain their sense of national purpose and national identity while at the same time allowing them to achieve adequate economic advance, to move toward adequate welfare for their citizens?

It is easy enough for us to bypass the question and say that CARIFTA or a free trade association will take care of the problem. It is easy enough for us to say that there are no political problems here, or that the political problems in any event need not concern America or Canada, or citizens outside the immediate territory. In point of fact, as we know, in today's world economic decisions of the kind that are

being called for under CARIFTA, under the previous federation efforts, under LAFTA, (if CARIFTA ever does enter into a meaningful association with LAFTA,) carry immense political implications; and even harder political decisions will lie ahead.

I have no pat answers. But I do think the challenge has to be recognized for what it is and constructive thought has to be given to this challenge, not only by the United States, not only by Puerto Rico but also by the other states in the area that conceivably could play a constructive role.

Moving on very rapidly to the second area, that is, the possibility for violence and the possibilities for revolution that are present in the Caribbean area today, again, the situation varies markedly from society to society.

Duvalier is now in charge in Haiti, a man in his seventh decade. He has maintained control through weakening Haitian institutional linkages and structures, particularly those that are important to the functioning of a modern nation-state. When he goes he will leave behind him presumably a heritage of chaos and anarchy. There is very little likelihood that a shattered society, such as the Haitian one is today, will provide good hunting for ideologues of Communist persuasion, but the possibility of a blood bath is very real in Haiti, something hideous to anticipate.

The Dominican Republic is very precariously re-embarked on a course of institutional development. At the moment the citizens of the Dominican Republic are tired of strife and are marginally content with the tranquility that the Balaguer dispensation is providing, but basically theirs is still an unstable situation.

Moving over to Jamaica, again we know the potentiality for violence that exists in that society. On the basis of the information I have, however, that violence would reflect the standard kind of social unrest stemming from such causes as unemployment, and overcrowding: it seems to have no significant ideological roots. The Guyanese situation has already been mentioned. The possibilities for civil strife are real so long as the confrontation between Jagan and his followers on the one hand and Burnham and his followers on the other, persists.

Cuba is regularly introduced into almost any discussion of the Caribbean. But it does not play a really significant role in the unrest that we see in the Caribbean today, or are likely to see in the future. This was not always true for certain of the states of the Latin Caribbean, the Dominican Republic and

Haiti. During the years immediately following his accession in 1959, Castro did try to start uprisings in the Dominican Republic and Haiti, as well as in Panama, some of the other countries of Central America, and Venezuela. Between 1959 and 1962, at which time he was read out of the Organization of American States for this kind of behaviour, he was flagrant in his violation of national sovereignties in his efforts to export subversive insurrectionary activity, activities which reached their climax in 1964, which was the year, as you recall, that a massive cache of Cuban arms was discovered in Venezuela. Fidel's behaviour since then has been much more moderate. Even when he was making his most substantial efforts to export violence, however, his actual effect and actual ability to control and direct insurrectionary developments in the countries in which he was active were very, very reduced.

Moving over to territories like Martinique and Guadeloupe, or for that matter, Haiti itself, I think it is worth keeping in mind, if my informants are correct, that the Communist apparatus in these territories depends upon Paris, not upon Havana.

Cuba, of course, simply by the fact of its existence is a constant irritant, particularly to the United States and the states of mainland Latin America. There is a constant nagging awareness of Cuba and of its affiliation with two powers, the U.S.S.R. and Red China, outside the western hemisphere, economically dependent upon the first, ideologically associated with the second (as well as with North Korea and North Vietnam.) As long as that situation is outstanding it is going to be an irritant. But we should not exaggerate Castro's role in the unrest we see or are likely to see in the Caribbean.

What I should like to do now, is make as persuasive a case as I honestly can for an accommodation with Castro and the reincorporation of Cuba into the western hemisphere.

Let me start off by saying that, as seen from the perspective of Washington today, our present hemispheric Cuban policy is recognized to be awkward. It is regularly criticized for being either too soft or too hard or alternatively for being sterile and static. Nevertheless, from the point of view of the President, there are all kinds of reasons why this is not a good time for the United States and its hemispheric allies to move toward a change in our Cuban posture. Public interest in Cuba, except for that aroused by the spate of hijackings is reduced. Fidel's hopes of transforming the Andes into a Sierra Maestia have been blighted, Cuba is quite effectively isolated from the rest of the hemisphere, and the island's economic prospects have been dimmed. Since the policy was designed primarily to frustrate Castro, not necessarily to topple him, it has not been unsuccessful.

Also, Washington must keep in mind that Cuban policy is a hemispheric policy, not just that of the United States alone; and since the United States worked very hard to persuade a number of other Latin American countries to adopt and implement this policy, to get a revision of the policy that would look toward reincorporation and reintegration of Cuba would be difficult. The effort to do so would raise all kinds of issues in the hemisphere today, precisely at a time when there are all sorts of issues that are plaguing inter-American relations—rising nationalism and anti-Americanism, an upsurge of authoritarianism, the Peruvian imbroglio. Why raise anew the Cuban question?

Finally, what acceptable alternative policy might be devised? Perhaps our present one is the best we can achieve, all things considered.

Nevertheless, I think it would be worthwhile to consider the desirability of bringing Cuba back into the hemisphere and to speculate about how that might be accomplished. There does seem to be, in Washington as well as elsewhere in the hemisphere a growing (if far from overwhelming) awareness that we are paying an increasingly heavy price for the maintenance of our present policy. This is a policy we have been pursuing since 1962, and the resolution of the missile crisis. It is a policy that reinforces many of those aspects of Fidel's regime that are least attractive to us and most damaging to the Cuban people.

On one plausible reading, for instance, the present policy is almost ideally suited to Fidel's needs and intentions. His accomplishments he can take credit for himself; his defeats or frustrations or disappointments he can lay to the account of the United States. Moreover, to the extent that he is a man of totalitarian pretensions, who is trying to make "a new Cuban man", his locking the door from the inside can be the more easily justified by his noting that Cuba is besieged from the outside—primarily by the United States.

Secondly, of course, our present Cuba policy—and here I am talking about the policy of Washington—is out of phase with what this administration seems to be trying to accomplish elsewhere in the world. The Nixon approach to the world is one of friendly outreach, of encouraging international understanding. Nixon's is not a stance of truculence. We are moving now towards trying to settle a number of outstanding issues with the Soviet Union.

There have been indications that we are not any longer going to stand in the posture of intransigent, unremitting hostility towards Red China. We are trying to work out a more effective relationship with our European and other allies. Is only Cuba to be

excluded from this approach of outreach, this effort to achieve understanding and accommodation?

Thirdly—and this is the last point I would like to make on this particular topic—the effectiveness of the policy is in process of eroding. I know that you Canadians have been extraordinarily co-operative with the United States in the implementation of a hemispheric Cuban policy. I am also aware that there has been some restiveness up here on that score. Europeans seem to have been constrained from trading with Cuba less by protestations that Cuba is militarily allied with the Soviet Union, or committed to the export of a revolutionary ideology and violence, than by Cuba's inability to pay.

It is eroding—there is no doubt of it. The Japanese, as announced the other day, are moving into more substantial trading relationships with Cuba. In general, I think, the policy is going to become increasingly embarrassing to us. It is costing us more than the commensurate return.

What would we gain from the re-incorporation of Cuba, whenever and however that could be achieved? The re-incorporation would carry a number of substantial benefits.

The first and most obvious would be the resolution of the hijacking problem, which is a problem not only to the United States, as you know, but also a problem to Colombia and Venezuela and, even on marginal occasions, to Mexico. It has not happened yet, to my knowledge, as far as Canada is concerned.

The Chairman: Just once, Mr. Plank, indirectly, on a flight from Moncton to Montreal, we had one instance of it, of a very minor nature.

Mr. Plank: Did they get the plane down?

The Chairman: No. It stopped in Montreal.

Mr. Plank: Good piloting.

The Chairman: They did not have enough gas.

Mr. Plank: Secondly, of course, it would contribute to the general alleviation of cold war tensions; it would remove a point of potentially serious friction and misunderstanding with the Soviet Union. Obviously, no one expects to see a repetition of the horrendous situation we confronted in October 1962. An accommodation with Cuba would be part of a very large process of amelioration of tensions around the world.

I think there can be little doubt—and this is something on which I would be most interested in getting the views of honourable senators—I think Canada

would be happy to have a normalization of relations, that is, I think the Canadians would be more comfortable if trade policy were divorced from ideological questions.

I know that the countries of Western Europe would be more content; I believe that Japan would be. I think that a normalization would benefit the United States in its relationships with these countries.

In the Third World, our policy towards Cuba has tended to bolster Fidel's image as a leader of a weak power trying to assert its independence against the great might of the United States, a picture of the situation Castro assiduously tries to promote.

For reasons of history, culture and geography, it is abundantly clear that Cuba does belong in the western hemisphere. Cubans, as Cubans, know that this is so and recognize the unnaturalness of their present situation, both vis-à-vis the hemisphere and vis-à-vis the Soviet Union.

You will be interested to note that in countries where, two or three years ago, you could not hear a responsible voice even raising the possibility of coming to some kind of understanding with Fidel, you now will hear it. That is so not only in Chile, where it has been going on for a long time—or in Uruguay, or in Mexico—but also in countries like Peru, Colombia, even in Venezuela, which was the prime target of Fidel's hostility for many years. You hear responsible voices now at least raising the question of whether or not to accept Fidel, communism and all, back into the hemisphere. The hemisphere is not less anti-communist than it was. What is being questioned is the efficacy of present policy.

What would be the cost, if we were to see Cuba reincorporated into the hemisphere? The cost of an accommodation would be substantial, although not the kind of cost that is often mentioned by some elements in Latin America and in the United States. That is, strategic costs to us in terms of our national security would be minimal.

Most of us would agree that the strategic threat from the Cuban quarter was practically eliminated with the resolution of the missile crisis in October, 1962.

Those who do not agree with that—large elements of the Cuban refugees and some convinced cold warriors—have been telling us for many years that every cave in Cuba is already full of intermediate range ballistic missiles. It is hard to see that this threat would be increased by a normalization of our relations with Cuba. Nor, let me say, do I think that if we were able to bring Cuba back into the hemisphere, that would mean that the hemisphere would

suffer from an opening wide of the flood gates to subversive and insurrectionary activity by Fidel and his cohorts. In the first place, we should not exaggerate Fidel's capacity for mischief in this hemisphere. Nor should we exaggerate the amount of real attention and hard resources he really is prepared to commit to the export of subversion. Che Guevara's melancholy experience in Bolivia illustrates this. There were 20 Cubans with him, in what was to have been a major effort to spark a Vietman situation in Latin America. The support Che received—those of you who have read his diary will be aware of this—that support was minimal.

Fidel's 10th anniversary speech of January 2, 1969, was marked by its moderation, its inward orientation. It was mostly a call for Cuban discipline, dedication, effort directed toward internal Cuban challenges; it was not a call for hemispheric adventurism.

Moreover, the roots of subversion and insurgency in the Latin American countries lie overwhelmingly in the countries themselves, not in Havana. I believe, therefore, that there is little likelihood that our accommodation with Fidel would increase significantly his ability to spark revolutions around the hemisphere.

The real costs of an accommodation, it seems to me, are political and ideological, both to Fidel and to us. The political costs to us, of course, would be very substantial indeed, in that since 1961—or 1960, really,—we have been openly committed to the failure of Fidel Castro's regime and what it stands for.

Any movement on our part, however carefully conceived, however carefully implemented, would be interpreted, both in the hemisphere and at home in the United States, as a truly radical shift, a truly major change in posture, and it would be attacked from the left as well as from the right—from the right, of course, as perhaps not treason but certainly as being in gross violation of the Monroe Doctrine, and affront to the American Flag, and so on.

From the American radical left—from students for a Democratic Society, from our Black Panthers—there would be many who would be dismayed to see any move toward accommodation, insisting that no honourable accord could be reached between Fidel Castro's Cuba and a society as corrupt and rotten as the United States of America. There would be regimes in Latin America, too, like those presently in power in Brazil, Argentina, Paraguay and Honduras that would be upset. And established groups—landowners, some businessmen, some churchmen, some military—would be alarmed by moves toward normalization.

Many Cuban refugees would probably become almost hysterically anxious, seeing in any accommo-

dation the erosion of their last hope for a massive military invasion against Fidel.

We would, let us admit, have to accept many of Fidel's terms, if we were to reach accommodation. We would have to accept the fact that he has established a durable regime; we would have to accept the fact that his variety of communism would have to be tolerated in this hemisphere into the indefinite future; we would as part of the cost of a normalization have to respect the integrity of his regime. These would be his conditions. These would also be, I am sure, the conditions upon which the Soviet Union would insist, if we were to move toward an accommodation.

If we were prepared to move toward an accommodation, I believe we might be able to get the help of the Soviet Union. Over recent years the Soviet Union has dropped hints here and there that it would like to see a normalization of relations between the hemisphere and Cuba, and the Soviet, in its own policy, as you are aware, is moving to regularize its relations in all corners of the hemisphere in both trade and diplomacy. The Soviet Union has indicated in many contexts its unhappiness with Fidel's revolutionary rhetoric, his Peking orientation towards the requirements of rapid and radical change in Latin America.

From Cuba's point of view, the cost would be very substantial, too; that is, as I indicated earlier, there are respects in which the present policy is ideally suited to Fidel's requirements and Fidel's intentions. We have in the past insisted, as conditions for Fidel's re-incorporation in the hemisphere, upon two things: first, that he surrender his military alliance with the Soviet Union; second, that he abandon his efforts to export revolution and revolutionary violence.

Since 1964, there has been, so far as is publicly known, no expression of interest on Fidel's part even in talking about these conditions, or for that matter, about other matters that divide the hemisphere from him.

Movement toward accommodation for Fidel would mean a psychological cost which, after all these years of assiduous work to build and maintain his reputation for being an ultra-radical of the third world, he would be loathe to pay. He certainly could not be expected to grovel on his way to the table at which he would sit down with us. Therefore, it would seem to me, we should have to permit him, rhetorically, to maintain his revolutionary stance, and we should simply let his actions speak louder than his words. I think his January 2 speech may be symbolic or significant in this respect; I think the minimal quantity of support of training, materiel, money and other things that he has been providing revolutionary movements in Latin America recently may also be significantly taken into account.

I think, if we were to be able to move toward a meeting with Fidel, and that would be the fundamental first step, and were we to let it be known to our OAS partners that, so far as Washington was concerned, a fundamental re-evaluation of hemispheric Cuban policy was underway, we would meet with much more OAS support than we might, before the fact, have supposed we would. For it is very much my impression that there are all kinds of stirrings up and down the hemisphere arising from the increasing feeling that our present policy is sterile, counter-productive and getting us nowhere; that the better course would be to bring Cuba back and, rather than shouting imprecations at one another across the water, we should see if we could engage in meaningful conversation rather than try to bring Fidel's regime down; we should try to engage Fidel in constructive conversation and negotiations.

We should be aware that Fidel feels that time is very strongly on his side. He knows that so long as a hemispheric policy toward him is as openly hostile as it is, he can count on the support of the Soviet Union. They will not let him down. A million dollars a day is a substantial sum, indeed, but it is not, in fact, much more than the United States transfer through direct federal payments to Puerto Rico every year. It is not anything that the Soviet Union would regard as being an intolerable burden. Moreover, I am persuaded that Fidel believes that time is on his side and not on ours, in that he feels that the hemisphere, most specifically the United States, is in a cul-de-sac and that with the passage of time the erosion of the economic denial policy will proceed apace; that while Canada will stay, presumably, with the United States on this policy, it is extremely unlikely that other countries of Europe, of Asia, Japan specifically, will stay; and, over time, as the United States tries desperately to maintain the policy of exclusion, of isolation, Cuba when it reaches its ten million ton sugar production mark,—which it will before much more time has elapsed,—will be entering increasingly into trade relations not only with Britain, but with France, Italy and all the countries of Western Europe as well as those of Eastern Europe.

I come out, then, recommending that we take advantage of the hijacking problem, a problem of substantive importance to both parties—and I am talking of the United States and Cuba—and really sit down to open up a candid dialogue with Fidel. If this should be the entering wedge whereby discussions might proceed to a much broader range of issues, then, ultimately, after a long, excruciatingly painful and very difficult process, it might lead to the re-incorporation of Cuba.

One point that I did not mention, and one with which I should like to conclude, one point in favour of working fairly rapidly toward the re-incorporation of Cuba, has to do specifically with the Caribbean

You have heard Mr. Demas talking about CARIFTA, and, of course, in your own acquaintance with the region, you have seen the efforts of the Caribbean federation and have seen suggestions made for true economic integration of the area. If we can get back into constructive dialogue with Cuba, then Cuba can be factored into the long-range economic planning for the region. I believe that it is critically important that Cuba be embraced within such regional planning.

Prime Minister Barrow said several years ago and it bears repeating, that it is nonsense to talk of a federation of the Caribbean area when you have a sleeping giant there which, from one day to the next, may be dumping \$10 million of sugar on the world market, in direct competition with the other states of the area which still lack adequate diversification of production. Cuba, moreover, has substantial capacities in manufacturing and processing as well as in its mineral wealth. Cuba's re-entry into the hemisphere and into increased trading relationships with other countries of the West would distort whatever regional agreements had been made, unless Cuba had been taken into account all along in Caribbean planning. Everywhere in the Americas it is assumed that one day or another Cuba is coming back into the hemisphere. I think planning for Cuba's future incorporation should proceed apace, that we should get on with the effort to reach an early accommodation with the island. I think we should get started. This is a propitious time, with the outstanding hijacking problem, and I very much hope that official Washington will begin to share this view and will try to take advantage of the opportunity for discussion the hijackings may provide. I do not presume to suggest what role, if any, Canada might play in this. But here again my own predisposition, as far as things Canadian are concerned, is to believe that Canada is generally best advised to avoid direct involvement in situations in this hemisphere where the United States is a party to a conflict. However, I think that is something we can discuss in detail in our discussion period now.

Thank you very much for your attention.

The Chairman: Thank you very much, Mr. Plank, for your very full and frank dissertation.

Before calling on Senator Lang I would hope in the course of answering the various questions put to you by the senators, that you might be able to give us some description of the Brookings Institution and its relationship with the powers that be in Washington. Obviously, a number or perhaps all of the opinions given by you here this morning are made in your capacity as a private citizen and as a member of that institution, but inasmuch as there is renewed interest in Canada as to the functions of institutions such as the Brookings Institution, I think it would

be very useful if you could provide us with some information in that regard.

Mr. Plank: Shall I take five minutes to do that now?

The Chairman: If you would.

Mr. Plank: The Brookings Institution is peculiar in the United States in that it is self-defined as a bridge between the world of academia and the world of policy. The criteria of our scholarly work at Brookings are those of the university to the extent that they can be, but at Brookings, and in this we do distinguish ourselves from the universities, there is no "art for art's sake." The kind of questions towards which the Brookings Institution directs itself are the sorts of questions that are of immediate concern or longer range concern to the policy-makers, to the politicians, and to those who have responsibility for government in our society. We are divided into three sections or programs. First, we have our program of economic studies; the program which has largely made the reputation of the Brookings Institution. It has a very substantial output of studies in tax policy, in fiscal management, in national income analysis, and matters of that sort. Second, we have a program of government studies, by which we mean a program to study directly the political and governmental problems of the United States, national, state, local and increasingly "megalopolitan"—to use the current expression—the problems of our cities, problems of migration, problems of welfare, et cetera. Finally we have a program of foreign policy studies which is primarily concerned with policy questions that concern the State Department or Agency for International Development, the Defence Department and Congress, and the rest of it.

Another interesting feature of the Brookings Institution is that it is to the extent of 80 per cent of its income privately financed. We have a self-imposed limitation that prevents our accepting more than 20 per cent of our funding from the United States government, or any governmental source; nor do we accept funds from private business for the conduct of private, corporation studies. Our funds, to a great extent, are from our own endowment. We now have an endowment well in excess of \$20 million. Additional funds come to us in the form of grants from the foundations for the carrying out of specific projects.

Incidentally, the Institution does no classified research. It reserves the right to publish all the products of its research efforts.

The Brookings Institution, although it has the reputation of being an "establishment" institution, has also the reputation for objectivity and for being willing to take controversial positions in its publi-

cations and in the public statements of its members. Few people attack the Brookings Institution as being beholden to the United States government; but neither is the institution regularly accused of being in a constant position of opposition. It has managed to maintain this balanced situation over the years.

Many of us in Washington are pleased to learn that there is some thought being given here in Ottawa and elsewhere in Canada to the possibility of setting up a corresponding institution. If you do find it possible to proceed with thinking about setting up a corresponding institution here, I wish you all the luck in the world. I think it would be wonderful if you could do that.

The Chairman: Now I would entertain questions concerning the Brookings Institution?

Senator Laird: May I ask who is the present head of the Brookings Institution?

Mr. Plank: His name is Kermit Gordon. He is a former professor at Williams College and a former director of the Bureau of the Budget.

Senator Grosart: How long has the institution been operating?

Mr. Plank: Well, in its various forms, for quite a long time. Its predecessor organization dates from 1916, but in something like its present form it has been operating since 1927.

Senator Belisle: You said earlier you have an endowment of \$20 million. Is that money from private sources or from government?

Mr. Plank: Private. I should say that two years ago we got an additional grant of \$14 million from the Ford Foundation which got us to the range that I have described. Our operating budget is about \$5 million, I believe, much of which comes from specific grants for specific purposes or projects. The endowment is there not only for studies, but also for expanding physical facilities, and so on.

Senator Carter: How many of a staff do you have?

Mr. Plank: We have about 80 full time professional staff, but the production that comes out of the Brookings research effort is substantially larger, because much of the work is done on contract with people who actually do their research outside. For example, you all know Harry Johnson who did a Brookings study, but he was not in residence at the institution while he did it. He came down there from time to time. We probably produce 20 or 30 publications a year.

The Chairman: Senator Lang?

Senator Lang: Most of the questions I might have raised, Mr. Plank, you anticipated in your remarks today. I think we see very much of the turmoil of conscience that the United States is going through over Cuba from your remarks. Now to get ourselves into perspective in the Caribbean complex, I would solicit your views as to Canada's political position vis-a-vis these countries generally and specifically why our interests should be oriented towards these problems rather than elsewhere. Firstly, I am thinking of the countries immediately concerned, besides the United States, Mexico and Venezuela, that you mentioned, and others, of which, geographically, it seems to me, the Caribbean complex is their problem, and geographically who are more removed. However, we are all very conscious of the necessity of being involved one way or another. Our external aid policy has indicated this pretty clearly. I wish sometimes we had,

Oh wad some power the giftie gie us
To see ourselfs as others see us!

Without the geographic immediacy, what do you think the considerations are which would affect Canada's policy?

Mr. Plank: Well, it is difficult for an American to talk for you . . .

Senator Lang: This is now Mr. Plank of Brookings speaking!

Mr. Plank: I think it is true that since the British moved out of the area—and I am talking now about the Commonwealth Caribbean—I would like to see you involved more intensively, but this is a selfish position. The British did move out rather rapidly, so in a sense you could stand in the relationship of a successor state. These territories, I believe, cannot survive in anything like a prosperous condition without something equivalent to a metropolitan relationship. There has to be some tie to a major power, not only for the market that the major power would provide but also for constructive developmental assistance as among the various territories.

It is an extraordinarily complicated question, but I have given some thought to how, through a pattern of preferential access of products, in the interests of promoting complementarity of production, you could consciously help to encourage trade among the ex-British dependencies, to the extent that that can be achieved among these small islands, in respect of production and distribution. You do not have any serious obligation to do that. That is, if Canada does not pick up a major role in the Caribbean, no overwhelming concern about national self-interest will force you to do it.

Strategically, that area, to the extent that these kinds of considerations have relevance, will be under the gun of the United States. In terms of economics, as long as you can get from them what they have to export to you or as long as you have alternative sources of supply, they are not economically that critically important to you. Tourism is another matter. I think that recreationally Canadians look to the ex-British dependencies as attractive places to go, but I am unable to make an overwhelming case on the grounds of international politics or economic interest for Canada to play a greater role in the region than you are now playing. I think that Canada traditionally in foreign policy, without equivocation, has let humanitarian, ethical and moral concerns consciously reign in her decisions. When you play a peace-keeping role around the world, which you have done remarkably well in the post-war period, this is not done simply because Canada is obliged to do it; it is done because that is a constructive international role Canada can and should play. By the same token, if you watch these little islands in danger of spiralling to disaster—which I fear is almost inevitable unless others in the region get to work and give them help—unless on humanitarian grounds you do not see that disaster as being intrinsically undesirable—I have myself tied up in syntax here. I do think there is humanitarian reason why Canada should play a major role in the area. I believe that would be in the interests of the hemisphere and in the interests of world peace and global freedom over a longer term. In short, I believe Canada should assume some responsibility for the welfare of these little territories.

On the other side of it, it is clear that the United States, in the absence of assistance from Canada, from Mexico and Venezuela, is going to exert its influence over this area.

As was pointed out by Mr. Armstrong, the United States really does not have a Caribbean policy, but to the extent that we have strategic interests there we will safeguard those interests at almost any cost. We have made it a matter of dogma that we will not permit another Cuba to emerge, but in terms of broadly co-operative relationships between the ex-British dependencies, the Latin countries of the region and the countries of Central America, it would be much more comfortable for them if, in addition to the United States playing a role politically, there were a major presence from Canada and the other mainland Latin-American states I have mentioned.

I can see, senator, that Canada's orientation is largely toward the northern hemisphere, not toward the western. I can advocate greater Caribbean involvement by Canada on largely humanitarian rather than on strategic and other economically more compelling grounds.

Senator Thorvaldson: Mr. Chairman, I have one question supplementary to that. When you spoke of Canada taking a major part, were you referring essentially to becoming a greater trading partner of these countries, or as an investor in those areas?

Mr. Plank: I think, both. Of course, much of this needs a great deal of thought and a great deal of exploration, and we are going through the process now of trying to devise forms of investment which will be least offensive and most helpful to the host country, because there is this ambivalence toward investment building up throughout the third world. The peoples of these countries know that they need capital but they are aware that they can be obliged to pay heavily for such capital in terms of what they conceive their national interests to be.

There is a greater complementarity between production patterns, particularly in those things the Caribbean countries traditionally have produced, of the Caribbean region and Canada than there is between them and the United States, and certainly more than is among themselves or with the other Latin-American countries. I think changes in trading pattern should be, at least in the short term, in the form of providing preferential access of their products to your markets. I do not know what other obligations Canada has now to receive products from outside this area of the Commonwealth, but I would certainly hope that special attention and special privileges could be given to these Caribbean territories.

Where I constantly come a cropper on this whole question is, in relation Canada to the Latin Caribbean. I can understand that Canadians might well be prepared to play a successor role in a very constructive way vis-à-vis the ex-Brits or former British dependencies. Where I have trouble is in persuading you Canadians that you might play a broader role in the rest of the Caribbean where you are likely to get into all sorts of difficulties. I am talking of the Dominican Republic; I am talking of Haiti; I am talking of Cuba. But I think that as far as the ex-British dependencies themselves are concerned, Canada would find it in its interest to enter into these special relationships.

Senator Macnaughton: I think this is almost a supplementary supplementary, Mr. Chairman. Of course, Dr. Plank, you know about the CDC, the Commonwealth Development Corporation?

Mr. Plank: Yes.

Senator Macnaughton: I assume, but do not know, that gradually, year by year, less and less support will be given by Great Britain to that organization. It seems to us that that was a means by which a great deal of oil was poured on the wheels or on the

machinery, both the political and the economic machinery of the British possessions. Would you care to say anything about that?

Mr. Plank: In what sense?

Senator Macnaughton: Well, should we pick up the pieces? Should we invest the capital, in other words?

Mr. Plank: I am conscious that on a per capita basis Canada is already carrying far more than its just proportion of the flow of assistance from the more developed to the less developed world.

May I really dilate for a moment on what is on my mind? I am greatly concerned—and I am sure that a number of you are too, although it is easier for citizens of countries like Canada and the United States not to be concerned about this than it is for peoples elsewhere in the world—about the future of mini-states. What I would really call upon Canada and Canadians to do is to think along with peoples elsewhere in the world, and particularly to sit down as the occasion provides and warrants with the leaders of the Caribbean countries to speculate about what new forms of political association or new forms of economic association can be devised that would, as I indicated at the outset, permit these little peoples—little in terms of the adequacy of their resources—to maintain their integrities as societies but at the same time allow them to participate in the benefits of advancing industrialization and advancing welfare.

I do not want to put any emphasis at all on the Puerto Rican experience which is unique, but I would say this about the Puerto Rican experience, that it was derived exactly in this fashion. The United States and the Puerto Ricans recognized that there was an intolerable situation from the American point of view. It was not intolerable from the strategic point of view, but it was intolerable from the point of view of the United States that Puerto Rico would be a vast slum in its own backyard. We were fortunate in having certain persons such as Governor Luis Muñoz Marín of Puerto Rico and Rex Tugwell of mainland United States to think about what kinds of incentives and what kinds of innovations could be introduced that would maximize the benefits to both parties, and that would no more do violence than necessary to the cultural integrity of Puerto Rico and that would at the same time let Puerto Rico participate in the benefits of the mainland economy.

The history of Puerto Rico is written plain. It has been quite a spectacular success story. It does not translate directly to the rest of the Caribbean, but I would call for that kind of imaginative thought which can only be arrived at through conversations over a period of time between imaginative leaders

north and south, in maxi-states and mini-states, in order to see what can be worked out, and then there has to be this long process of public education. What I am looking for is some way to transcend the constraints that small size imposes on countries like Trinidad or Barbados, or even like Jamaica.

The wealthiest country in the region about which we are talking now is Cuba. We saw that when Cuba asserted its independence, largely from the United States in 1959, when it cut loose, it had no alternative but to line up in a situation of even greater dependence on the Soviet Union. I am thinking basically that the long-range objective should be a kind of political association among all the states of the Caribbean region, including Canada.

Senator Lang: Dr. Plank, how would you envisage Canada's taking a seat on the OAS in terms of this approach? Would our position be stronger or weaker, or would it be more compromised?

Mr. Plank: Here we run into a complication, in that the OAS is an all-hemispheric organization, except for Canada, of course, and temporarily Cuba. All of the states up from Argentine through the United States are members. The problems that occur here, and that are at the centre of our concern today, the problems of which Canadians are conscious, are not problems that are recognized as of any significance at all by the Argentinians, the Brazilians, or the Chileans—that is, as seen from the southern cone of South America. The Caribbean, while there are remote historic ties and some sentimental ties of culture, is second class territory as seen from much of South America. The Argentinians hardly know where the territories we are talking about are, and they care very little. The Organization of American States as an institution concerns itself with a whole array of problems and issues that need not concern Canada as such. I think that Canada's specific role is in the Caribbean area in terms of its positive and quite deliberate effort in working along with the other countries in order to advance, or make possible the advancement of, the countries of the Caribbean.

I make this preface in order to separate out South America from the area of our concern. Here I speak only as a private citizen, not as a spokesman for the Brookings Institution. I have long felt that, taking hemispheric matters en bloc,—considering hemispheric matters together, Canada is in a better position to play a constructive role outside the OAS than it is in it. Canada is a free agent. Canada can, if it wants to, take an independent position, either associate itself with or dissociate itself from the United States with respect to specific issues and problems, but if Canada were to join the OAS it would be obliged to commit itself on one side or the other of a number of possibly awkward questions, lining up with the United States or with the states of

Latin America. I can see many costs, few corresponding benefits, either for Canada or for the rest of the hemisphere. You have been through this debate so many times that I do not need to repeat it.

Canada does not have to join the OAS in order to play the constructive role on the broader hemispheric plane that I am talking about. I know that Washington would like to see you in, but my own feeling is that you can play a better role, and one that serves your own national interest better, by remaining outside.

The Chairman: Are there any questions supplementary to Senator Lang's question on the Organization of American States?

Senator Grosart: Later.

Senator Lang: Following my discussion, Dr. Plank, the United States experiment in Puerto Rico has relieved a sore problem existing there. Canada may very well take a more active position, say, in the ex-British islands, but the problems of the Caribbean as a whole are still pretty well with us are they not?

Mr. Plank: Yes.

Senator Lang: It is palliative to search for a specific area. Is there an expectation, that, say, the development of Puerto Rico under the American policy has a beneficial effect on other countries, so can we expect that if we contribute to the ex-British islands there will be a fall-out from that which would benefit the area as a whole?

Mr. Plank: Do you mean a fall-out from the ex-British islands?

Senator Lang: Yes.

Mr. Plank: I would hope so. I believe that this was Prime Minister Barrow's hope too. He hoped to get into effective dealings with the Latin Caribbean because first he thought of the long-term interests of Barbados required this and, secondly, he thought Barbados had something important to offer. We are talking about what you might do if you were able to build strong viable economies in some complimentary fashion amongst the ex-British dependencies.

So far as Puerto Rico is concerned, you are undoubtedly aware that the Puerto Ricans themselves do see this role for themselves. They have, in effect, thought of themselves as being the prime movers or the principal agents—the banking agency, the entrepreneurial centre, the centre of managerial and planning talents, etc., for the whole Caribbean region, including the ex-British dependencies as well as the Latin countries. This has now reached the point, because of their propinquity to the other states of

the area, that a few Caribbean citizens are talking about Puerto Rican imperialism. Puerto Rico in that regional context is the most powerful single entity.

Here again I would think, if you were to bring the ex-British dependencies up not only through trade but through providing them with the mobility that they require, in respect of migration flows, that some of the jealousy that is now felt towards Puerto Rico would be minimized, and a more constructive relationship established between the ex-British islands on the one hand and Puerto Rico on the other could be achieved, and from that posture of greater balance in the Caribbean we could move on to a better relationship with the Dominican Republic and Haiti.

I have one last point to make on that. The hemisphere stands in dread of the collapse of Duvalier, and worries about what can be done to rehabilitate that place. Here is the horror story of the hemisphere. Here are four million souls on a territory that cannot adequately support two million. If we are to do anything other than simply stave off starvation with a dramatic relief mission, mass migration is required, opening up territories to the populations of the over-crowded areas. I presume both the United States and Canada will have to think very carefully about relieving the population pressures of the islands if those islands are to achieve any kind of viable welfare status measured in economic terms.

Senator Lang: It applies to Barbados too, I imagine, very much.

Mr. Plank: It applies to all. It applies to Trinidad, it applies to Barbados.

The Chairman: I have had notice from Senators Carter and Thorvaldson that they would like to ask questions. I should be pleased to receive notice from anyone else.

Senator Carter: I was rather intrigued by Mr. Plank's proposal that an attempt should be made to reintegrate Cuba into the western hemisphere. While I was listening I was trying to figure out in my own mind the sort of cost benefit to Russia. This is where I perhaps need a little help from Mr. Plank, because I may have missed some of the benefits. The two benefits which stood out, as I listened to him, were: first, perhaps we could clear up this hijacking problem and use that as a spearhead for the total operation; secondly, to forestall any disruption of trade agreements by Cuba dumping sugar or other commodities on the market. Those were the benefits. When I looked at the cost, there was the cost of \$1 million a day, which is \$365 a year. Even though the Russian economy is huge, yet it is not growing as fast today as it was several years ago. They are feeling the pinch at home much more than before. We would ourselves assume that burden of \$365

million, plus perhaps a good deal more if we help the Cuban people to improve their lot. Then it seems to me we would be relieving Russia and China of a great embarrassment, because Cuba must be a tremendous embarrassment politically and ideologically to Russia and China. We would relieve them of that.

Mr. Plank told us we would have several potentially explosive situations in Haiti, in the Dominican Republic, and there is a well organized Communist party in Guyana headed by Cheddi Jagan. If we relieved Russia of this burden of \$365 million, how do you know she would not immediately use that money to start operations in these potentially explosive situations in Guyana and so forth? It seems to me that the whole proposal was founded on tremendous faith in Russia. In face of what has happened in Czechoslovakia in recent days, where Russia was regarded as a friend and almost a saviour, I was wondering if you could tell us two things. First, what is the basis of this trust in Russia? Secondly, are there any more benefits to the western hemisphere than the two I have mentioned?

Mr. Plank: In response to your first question, I would think it has to be simply something in the nature of an article of faith. We have in the past assumed that the Russians, via the route of subversion, of armed conquest of those territories close to their frontiers, were out literally to realize Khrushchev's stated aim, "We will bury you."

On the record to date, specifically in Latin America, in recent months and years the evidence is that the Russians are moving away from the notion of insurrection, partly because they recognize that the counter-insurrectionary capabilities are greater, but partly because they now have a different range of interests in Latin America. They have just entered into a trade agreement with Columbia and with Peru; they are now about to enter into a trade agreement with Venezuela; there is also the trade agreement with Chile. I think they are moving away from this notion of supporting insurrection; this is not their route. This is one of the bases of the Peking-Moscow division.

You refer to relieving them of the embarrassment of a \$365 million a year outlay towards Cuba. The other day I had occasion to talk with an officer of the Soviet embassy in Washington, who was watching with great interest, as you would imagine, the unfolding of our dispute with Peru. He asked about the sugar quota allocation to Peru in dollar terms; he had the figure, about \$45 million a year. He asked about the aid program, \$15 million to \$20 million a year. In his judgment—and he of course was only one Russian speaking as an individual, not as an official spokesman—the U.S.S.R. not only could but would be prepared to pick that up. He began to

worry when the prospect of Brazil moving in the direction that Peru seems to be moving. I certainly do not want to predict that Brazil will move in that direction or, for that matter, that other Latin American countries will. But there is a rise of nationalism in the region which can readily translate itself into anti-Americanism and a desire to reduce regional dependence upon the United States economy. This Russian at least did not relish the prospect of the Soviet Union's being called upon to take the place of the U.S. as the source of capital and economic support for Latin America's development.

At the same time, given the nature of the Soviet economy and of the Soviet totalitarian state, these kinds of decisions—to put \$365 million a year into Cuba, to put an additional \$60 million into Peru, to increase whatever allocations are now being made to Africa or the Middle East—that they find it necessary or expedient to make for their own political reasons; these kinds of decisions are more easily taken there than in our society. And they can as readily decide to reduce as to expand their involvement in this kind of more or less direct subsidy.

I am not persuaded that if we, through one means or another, were to relieve the Soviet Union of its responsibility for providing \$365 million a year to Cuba, that that money would go for the kinds of purposes you indicate in other countries of the third world. I see no reason to suppose that would be true.

Let me take a moment to share an overriding concern with you. In long-range terms the real problem that confronts us in this world is, and I think you in this room would agree, the grotesque, almost obscene, imbalance between the developed north and the undeveloped south, that is between countries like Canada, the United States, the states of Europe on the one hand and the countries of the third world on the other. So long as an inordinate amount of resources, attention and energy is being devoted on both sides—I am thinking primarily of the United States and the USSR, but not exclusively of those two—to actions derived from reciprocated hostility, fear, suspicion, actions having to do with armaments and so on, we in the more highly developed parts of the world do not have recourses available—even on the assumption that we would otherwise be disposed to use them—to deal adequately with the problem of regressing this global inequity, this global scandal. This is the problem that was talked about in New Delhi, the sort of problem that Barbara Ward constantly raises for us, the problem of course to which Lester Pearson and others have directed themselves. It seems to me that somehow cold war tension simply has to be relaxed. I am sure this is President Nixon's position, namely, that we and the Soviets simply have to begin to act in good faith toward one another.

I know that Czechoslovakia terribly complicated all of our lives. Any of those of us who had hoped to see an amelioration of tensions, a gradual rapprochement that was more than purely verbal were terribly upset at Czechoslovakian intervention. There are very few Russians that do not acknowledge this also.

It seems to me that we should continually press in the direction of an amelioration of these divisions, these tensions if we want really to get to work on the problems that ought most to concern us in this world, which increasingly has to be seen to transcend considerations of narrow national self-interest.

Here this morning we are talking about societies for which traditional notions of national sovereignty have comparatively little substance. We are talking about Trinidad, Tobago or Barbados, for example. These are societies that are at the mercies of forces economic and strategic over which they have very little control.

My thought is ranging very far down the pike toward some new form of international dispensation whereby meaningful political autonomy can be maintained within an overarching concept of international organization, international behaviour that will be better suited to serve the true interests of humanity. I do not want to sound romantic, but you ask what really is behind my thinking of wanting to reach an accord with Fidel and the USSR itself. It is this kind of long-range preoccupation—otherwise I see disaster looming in area after area.

Senator Carter: The other part of my question was whether any extra benefits beyond the settling of the hijacking and the forestalling of any disruption of a future trade agreement by Cuba, are these the only two benefits we get apart from this?

Mr. Plank: Again, no. I think two principal benefits would be precisely those. But getting Cuba back into the hemispheric economy is important not only because failure to do so would almost inevitably at some time lead to disruptive consequences for the regional economy, but also because Cuba has a positive contribution to make to the wholesome economic development of the region, and I think that is a very significant benefit.

Another benefit: looking at it rather selfishly from the perspective of the United States, Cuba is an issue in the United States, as you are aware. If a decision were made in Washington to reach some kind of an accord or understanding with Cuba, over the longer term, one divisive issue that separates our blacks from our whites, our young from our old, our so-called reactionaries from our so-called radical progressives, would be eliminated. I think these are important things to be taken into account.

I think an accommodation with Castro would relieve or reduce at least the propensity on the part of some elements in Latin America to credit every insurrectionary act and every plea for radical reform to the malevolence and machinations of Fidel Castro. This has been characteristic of their behaviour in the southern continent among important traditional sectors. If Fidel and his people were once again moving fairly freely around the hemisphere it would be incumbent upon the traditional forces not simply to credit all the difficulties in the area to the kind of revolutionary incitings for which Fidel is notorious. It does no good to say today in Guatemala that the reasons for the uncertain situation there Fidel's intrigues and incitings. It is neither factually true nor helpful. The problems that confront Guatemala have to be faced on their merits as Guatemalan problems, not scapegoated off to the back of Fidel or somebody else. I can see quite an array of benefits that could fall in addition to the two you mentioned.

Senator Carter: I agree with you that we should take the initiative and we should go on the offensive, but I cannot see how you can expect meaningful discussions with a country which uses trade for ideological objectives unless you believe they are going to change their thoughts.

Mr. Plank: The United States does too. That underlies our whole Cuban policy. We have followed this policy in the wan hope that by denying access to our markets to Fidel and by denying him replacement parts, using trade, we would gradually erode his power and might eventually see the overthrow of his regime. The whole premise upon which I base my remarks is that the expectation now has to be recognized as not being altogether realistic.

The Russians are not going to abandon him as long as the cost of abandoning him would be the overthrow of the "first socialist state in the Americas." The economic denial policies are not that effective, either. The Europeans—the Spanish, the Belgians, the Germans, the French, for example—are prepared to trade with Fidel's regime. I say, given that fact, how do we adjust to it in order to maximize our benefits at acceptable cost to us?

Senator Thorvaldson: Mr. Plank, my question is in the context of the economic facts of life in regard to the greater improvement by Canada in the Caribbean area and for that reason I want to refer back again, if I may, to the \$1 million a day we always hear about Russia pouring into Cuba and the same amount the United States is pouring into Puerto Rico. The question I want to ask, just what are the economic facts in regard to the Russians? Is it an investment, a charity or is there any *quid pro quo* at all? Does it become a debt or do they write it off? Similarly, about this amount that flows into Puerto

Rico from the United States, is it represented by an underbalance of trade or is it in the form of investment or a gift?

Mr. Plank: That \$1 million a day figure has been with us for the last six, seven or eight years. It is a good figure. It was a good figure when it was first constructed. It is also an easy figure to remember. I do not know how recently it has been examined; it is a very difficult figure to factor. The Russians accept it. At least the ones I have talked with do not dispute that it is costing them about \$1 million to keep Cuba afloat.

Senator Thorvaldson: And they do not expect to get it back?

Mr. Plank: No, no.

Senator Thorvaldson: It is gone.

Mr. Plank: Yes. How the figure is actually arrived at I cannot tell you. The Russians pay a preferred price to Cuba for sugar which they do not need. Whether that is part of it or other forms of assistance are taken into account, such as transportation, etcetera, I do not know. In regard to the Puerto Rican figure I was only talking about the direct transfer of federal funds. It was done just to provide a general idea, an order of magnitude, so we could have an idea of how much the Russians were actually putting into Cuba. Included in the Puerto Rico estimate is social security payments, direct federal remittances to Puerto Rico. Actually, we transfer from the mainland substantially more than \$350 million a year. How much precisely is difficult to calculate. You have to take into account tariff preferences Puerto Ricans have, remittances of Puerto Rican residents in the United States which send so much down to Puerto Rico, special tax benefits and the like.

Senator Thorvaldson: How many people does that affect? What is the population?

Mr. Plank: The Puerto Rican population is 2½ million, and the Cuban is approximately eight million. On a per capita basis, we are putting more into Puerto Rico than the Russians are into Cuba. But that was not really my point, senator. It is just that \$365 million to an American sounds like a tremendous amount of money and when it is pointed out that this is what we are putting into Puerto Rico every year, it gets into the realm of being a little more comprehensible, a little more meaningful.

Senator Carter: I would like to make a point—when you consider the size of the two economies, the American economy is three times as big as that of the Soviet Union and there \$365 million is only about \$120 million in terms of the American economy.

Mr. Plank: That is very true, senator.

Senator Carter: It is quite different in proportion.

Senator Belisle: When I was in Hawaii three years ago it was rumoured there that Puerto Rico was going to be the 51st state and I would ask if this was why the \$1 million a year was being spent on that basis?

Mr. Plank: You undoubtedly know the story of Puerto Rico. There are three factions there, one that for many years has been interested in total independence for the island, a very small minority on the island and becoming increasingly small. The second, the Statehood party, which until the last election, was Ferré's party, the man who was elected governor of Puerto Rico last fall. The third and largest is the popular Democratic party of Muñoz Marín. That party, with the United States, worked out this peculiar Commonwealth relationship which has been ratified by plebiscite twice by the Puerto Ricans. Ferré's election was, of course, an altogether legitimate election but it was the result of a schism within the Popular Democratic party. There is no real evidence that I have seen or that my Puerto Rican friends have brought to my attention to indicate that the Puerto Ricans want to move in the direction of statehood.

The statehood party corresponds in Puerto Rico to our United States Republican party, and the Popular Democratic party corresponds to our Democratic party. The majority in Puerto Rico seems to be oriented toward continued commonwealth status. This might change, but the million dollars a day was not directed to Puerto Rico with any thought of bringing it in as the 51st state.

There is not much interest in the United States for bringing in Puerto Rico as a state. I think it is up to the Puerto Ricans. This has been decided twice. If, whenever the Puerto Ricans wish to have another plebiscite, they can. If they want statehood, they will get it. That is what we are prepared to give them, but we are not trying to coerce them one way or the other.

Senator Grosart: Mr. Plank, my first question will be more or less semantic. I notice that you used the phrase "ex British".

Mr. Plank: I am sorry, I hope that really does not come through in the transcript. I certainly did not mean it in any derogatory sense.

Senator Grosart: I would say this, that it is a phrase one would not normally hear that used in Canada except perhaps in our External Affairs Department. I am a bit disturbed that people are able to get Senator Lang to use it.

We use the phrase "Commonwealth Caribbean". You see perhaps a more likely solution of some of the problems of the Commonwealth Caribbean Islands as members of the Commonwealth rather than as "ex British"?

Mr. Plank: I would much prefer to use the Commonwealth expression, but I think the answer to your question depends to some extent, does it not, on what the future of the Commonwealth is.

Senator Thorvaldson: It is still part of the Commonwealth.

Mr. Plank: Yes.

Senator Grosart: Every international organization in the world depends on what the future of that organization would be.

Mr. Plank: That is right.

Senator Grosart: Perhaps you could be a little more precise in your answer?

Mr. Plank: I am not sure what we would put in the Commonwealth. Obviously, I think it is evident, is it not, senator, that Great Britain for many reasons is pulling away from the area. It is pulling away in terms of the kind of direct financial support it is providing, it seems to be pulling away in respect of migration policy, it is pulling away in many respects.

Senator Thorvaldson: Would you include investments in that category? Are they pulling investments out?

Mr. Plank: I am just not knowledgeable, I really do not know. I cannot say.

Senator Grosart: I think the facts are that there has been a slowdown in the rate of new British investment.

Senator Thorvaldson: Would it also be true that for a period of about two hundred years, where they really formed the governments of those countries, and those investments were comparatively safe and protected and not subject to the exigencies of a popular government—that is, in regard to the past.

Mr. Plank: Yes, this is certainly true, that for many years, as long as there was a direct link to Whitehall and to the Parliament in London, there were ways of controlling the domestic policy.

Senator Thorvaldson: And indeed one would think in that regard in the context of what is happening in Peru, today, in regard to the International Petroleum Company, namely, the British were very safe at one

time but now one does not know. Would it be accurate to say that? In other words, would you say that the safety of an investment in those countries, as far as the British are concerned, is not the same now as it was when they were in control.

Mr. Plank: I would agree. I would say that the same thing is to some extent true in regard to any new Canadian investment that goes in, and I think it is true throughout the third world, and that it is true as far as United States investment is concerned. There has been, in the last two or three years, a very large increase in United States private investment in Latin America. But this is understood to be, and it has to be understood to be, an investment of real risk capital, in that there is no security for the investment in those countries today, except for that provided by our own United States tax laws and our investment guarantee programs.

Senator Thorvaldson: In that context, Mr. Plank, there has been considerable Canadian investment lately. You have heard of the people who have been investing heavily down south, and now other people are interested in tourist facilities and in other things.

There is a real problem, of course, as to what may happen to those investments, in the same manner that Cuba obviously defaulted and confiscated.

The Chairman: Before proceeding further, I would draw the attention of this committee to the fact that Prime Minister Geary has come to the back of this room and we welcome him most heartily.

Hon. Senators: Hear, hear.

Senator Grosart: It is perhaps appropriate in the context of my questioning, that Prime Minister Eric Geary—whom I have had the pleasure of knowing—is accompanied by Mr. James Walker the Parliamentary Assistant to the Prime Minister, who is also the Chairman of the Canadian Branch of the Commonwealth Parliamentary Association.

Taking the Commonwealth as it is, without worrying about its future too much, because it does have the heads of state annual conference, it does have some one hundred organizations, scientific, cultural, trade and so on—it is a viable thing at the moment—do you see the Commonwealth playing an important role in the development of the Commonwealth Caribbean? Let me put it this way, the Commonwealth contact, the Commonwealth background, the Commonwealth tradition—which of course brings in Canada in a way that it does not bring in the United States or anyone else—do you see this as an important factor?

Mr. Plank: I must agree that it is. Let me back that up with something I said at the very outset, senator.

I come to the Caribbean as a totality, from Latin America. I have never been a specialist in Commonwealth matters. My own background is in Latin America, with special interests in some parts of Latin America. Its what is implicit here that the Commonwealth countries of the Caribbean relate preferentially and perhaps exclusively to the Commonwealth? What I was suggesting, and what I understood Prime Minister Barrow suggested, was to consider the geographic area to have in its totality, the Latin Caribbean and the Commonwealth Caribbean.

Senator Grosart: These are not mutually exclusive.

Mr. Plank: The disjunctions can be worked out, even though CARIFTA does not yet have a direct tie to LAFTA, except for Trinidad and Tobago. There could be direct Alliance for Progress participation by the Commonwealth countries—once they join the OAS. So these are not mutually exclusive.

I would not like to lose sight of the fact that this may be—you and I may have a point of disagreement here—I think that the future of the Commonwealth countries in the Caribbean lies with the other states of the Caribbean states which are competitive in respect of production, which are servicing the same markets and which are dependent upon the same sources of supply.

I would like to see a broad range co-ordination of effort throughout the whole region. I would not like to see the Commonwealth work at cross purposes, for example, with the other states, the United States, Mexico, Venezuela, Colombia, in pursuit of long-range development. . .

I am not sure if that is a satisfactory answer.

Senator Grosart: I think there is a slight contradiction, because of the fact that in this particular area I am speaking of there was a void that had to be filled, and filled by a metropolitan state.

Mr. Plank: Yes.

Senator Grosart: Now, I would prefer a metropolitan groups of states in any such case, to a metropolitan state.

Mr. Plank: Well, yes, sir. What I said was that in the absence of some kind of co-ordinated effort on the part of such states as Canada, the United States, Mexico, Colombia and Venezuela, the United States will self-define its interests in that region. And you saw in April and May of 1965 at least one expression of how the United States can self-define its interest in the region. It will move unilaterally and will arrogate to itself the responsibility for overseeing the area. If it regards itself as a successor state to Great Britain, for reasons of national security or for other reasons, I think that is to be deplored. If there is an alternative

to that situation in which other states can share the responsibility for ensuring the welfare and making decisions with, but vis-à-vis, these countries of the Caribbean, I think that would be much to be preferred.

That is the point I make.

Senator Grosart: Do you think Canada should target its policy toward the Commonwealth Caribbean rather than to diffuse it over the whole Caribbean?

Mr. Plank: This is, I think, a choice that needs to be debated here. The sensible course,—because you already have ties of culture, ties of institutions,—the sensible course is to tie rather directly to the Commonwealth Caribbean. But my disposition—and I made this explicit in my remarks—is to think of the whole area. You should think of the whole area and not really separate out Canada's interest in the Commonwealth Caribbean from the Commonwealth Caribbean's interest in the broader Caribbean. To the extent that your relationship with the region is a preferential one, to the extent that, if investment goes into Jamaica, you feel that discharges adequately whatever responsibility Canada may have for the economic development of Jamaica, that is a judgment that is perfectly understandable. If, on the other hand, it is a Canadian view that there is a responsibility to do what can be done to ensure that this whole region not only survives, but achieves minimal levels of welfare and has a viable future, then I think the combination may be rather different.

Senator Thorvaldson: There would be no purpose in Canada's going into Puerto Rico to take an active part there. Is that not what you are saying? Similarly, we would not want to go into Cuba. I think your question could be phrased in that context, could it not, Senator Grosart?

Mr. Plank: Just reverting to Cuba for a moment, in the event that Cuba comes back—and everyone assumes that it will some day, because there is no thought that Cuba is going to stay out there all by itself forever—I would very much hope that Canada would play a role in Cuba and not permit a return to the pre-Castro period, when a condition of total and degrading economic and other kinds of dependence of the United States existed, a dependence which was one of the factors accounting for Fidel's rise to power. We were talking about this earlier.

Senator Thorvaldson: You are referring to the great economic dominance of the United States.

Mr. Plank: That is right.

Senator Thorvaldson: Prior to the Castro era.

Mr. Plank: And translated not only in economic terms, but in cultural, political, and strategic terms; the United States just took the Cuban's national life away from them. This, for all practical purposes, was a colony of the worst sort, because we had none of the responsibilities of a colonial power.

Senator Grosart: It is not necessarily polarization to take an interest in a specific region and look at the problems as a whole.

Mr. Plank: That is correct.

Senator Grosart: It is not a question of whether Canada should go into, to use Senator Thorvaldson's phrase, this country or that country. What I am concerned with here, is should we have a policy toward, for example, the Cuban situation. I would like to have heard a little more from Canada about international law; the law of the sea; the justification for breaching international law, particularly in the United States in the law of the sea, with its history in that respect. I would like to have had a little more of a comparison between Cuba and Suez. It seemed to me that Canada was in a pretty good position to make such a comparison at that time.

So I come back to my question: Do you think Canadians should have a Caribbean-political policy?

Mr. Plank: If it is appropriate for me, as an American, to say it, I think Canada should have a Caribbean-political policy.

Senator Grosart: One final question. We are all aware of the very close traditional tie of the commonwealth Caribbean countries to what is generally called the Westminster Tradition. Some countries in the commonwealth have found that this does not appear to be viable completely in their present constitutional structure. Do you think the Westminster parliamentary democracy is a viable political structure in these small islands?

Mr. Plank: I think it is in the commonwealth Caribbean, to use that designation.

I think all kinds of efforts have to be made. This is, of course, another reason why Canada, if it wants to see that tradition survive, ought to assume a very conscious and major responsibility for the welfare of the region.

Regrettably, man's wants are scaled: You have to be fed; you have to have order; these are just prime requirements. No one likes to say that democracy is a luxury to be reserved only to those who can maintain certain income levels or who have developed over a number of centuries certain traditions of living with one another. I think there are many parts of the Caribbean, as well as other parts of Latin America, in which the sheer challenge of survival, both at a personal and

a national level, are such that the Westminster style of procedure in the political realm is just not going to be appropriate.

If I might move on, just for a moment, the Peruvian case is an illustration of what can happen. Peru had for a number of years, ostensibly, a democratic civilian dispensation which was unable to accomplish a great deal. Chile is in much the same position. It is easy in a rhetorical way to say: "Formal democracy at whatever cost, in terms of efficiency, responsiveness, effectiveness, has to be maintained". That, rhetorically, has been the position of the United States. That whole question, I think, however, has to be examined in the light of the experience of the African states and of many Latin American states. A truly modernizing authoritarian regime may, in fact, really do more for promoting the dignity and well-being of people, bringing people up to the point where they can really realize themselves and be meaningfully human beings, than many of these ostensibly democratic regimes which follow the format of the Westminster tradition or any other such tradition.

It would be a tragedy, if countries like Barbados, Trinidad or Jamaica were to sacrifice this tradition for independence. That would be far too great a price to pay for independence. If the cost of not having to make such a sacrifice is an obligation which falls upon the United States and Canada, and some other countries, to help them through this period as they readjust their economies, as they enter into new kinds of relationships with the economically more highly developed states of the World, then that is a cost we should be willing to assume.

Senator Grosart: I would really prefer to direct my last question to Premier Geary, because I know he has some thoughts on this, but would it make sense, do you think, Mr. Plank, for Canada to suggest the transference of the present associate stated of five or six of these islands from the United Kingdom to Canada?

Mr. Plank: Mr. Chairman, must I answer that question?

The Chairman: No. Under the circumstances, Senator Grosart, I think we will dispense with that question.

Senator Grosart: Nobody will answer it for me.

Senator Sparrow: Mr. Plank referred to the failure or failures of the Castro regime. I wonder if he could outline what he thinks those failures are, making a comparison, I would suggest, to progress made in the other Caribbean countries in the period of the Castro regime.

Mr. Plank: Yes, senator. Actually, I put that in the context that the original policy was designed in a

very negative narrow way. That is, it was designed to diminish the lustre of Fidel, to make his economic progress difficult and to make it difficult for him to mount revolutionary activities elsewhere in the hemisphere. It was largely negative. Now, within the confines of the policy as defined, it has been successful because it has contributed to his failure in these respects.

On the other hand, I think on any balanced assessment—and this is one of the things that ought to lead us to reconsider our whole Cuban policy—Fidel has been outstandingly successful in a number of areas: In the social sphere, educational sphere, and the health sphere. Most important, we were talking earlier about this degrading condition of dependence on the United States, and what he has managed to do—partly through the export of 500,000 Cubans, people who would be his opponents—he has managed to weld that population into a proud, self-confident, very sharply identified nation. It is one of the very few nations in Latin America. The people have a real sense of national identity, a real sense of who they are. If Fidel were to stand on a platform and say “We shall fight on the landing grounds; we shall fight in the fields and in the streets” he would get the same kind of response that Winston Churchill got in 1940. That is not to say it would solely be attributable to him; it is something that has happened to the Cubans. I am not sure it is not a good thing to have happened. There are other aspects. Let us take the per capita income situation. Now of course the per capita income of Venezuela is higher. The per capita income figure in Cuba today is perhaps lower by \$100 a year than it was in 1959, but the distribution pattern is radically different today from what it was in 1959, and certainly different from what it is in Venezuela. Therefore, on the intrinsic merits I am not prepared to say that Fidel has failed. Looking at the thing in proper perspective, I am persuaded that he does not think he has failed. In many ways he feels he has succeeded, he has done much of what he set out to do. He certainly has changed Cuban society.

Senator Haig: But what will happen when he dies?

Mr. Plank: Nobody knows. The judgment is that the succession is something that one cannot predict. A lot will depend on how he dies; if he is shot down from inside Cuba, that will be one thing, but if he were to die a natural death, that would be another. One fairly widespread belief now is that the army would take over and Dorticós would take over as a sort of figurehead president. But I think the continuity would be preserved. Of course a lot of people would wish that that were not so. You will recall the situation when Stalin died. It was thought that it would give rise to unresolvable power squabbles within the top levels of the hierarchy.

There is no question whatever that Fidel runs Cuba today. But, the Cubans have acquired skills, they have

acquired organization and institutions; and there is the feeling that the regime will go on, perhaps without the charisma.

The Chairman: You appreciate, Mr. Plank, that the word “charisma” is a dangerous word to use in this country.

Senator Davey: Mr. Plank, do you think the American press fairly reflects the situation in Cuba today?

Mr. Plank: The American press is not at all homogeneous in this and it depends on what parts of the press you read. By that I mean if you read the whole press you will see there is a kind of perspective that will in one fashion or another reflect the complexity of the whole situation.

Senator Davey: To qualify my question, it is my opinion that many Americans, perhaps a majority, have a stereotype of Cuba which is unlike the description you have given in answer to the question asked a moment or two ago. Would you agree with that, and if so, why is that the case?

Mr. Plank: You mean that the press does not give the true picture?

Senator Davey: I think there is a stereotype of Cuba in the United States and it is at variance with the description you have given.

Mr. Plank: That is something in our—how shall I term it—national character. We are locked in ideologically where Cuba is concerned. Cuba is a Communist state and by definition no Communist state can have aspects that are good or helpful to human beings. The American public really knows very little and really cares very little about Cuba. Because it is a Communist state, it is bad. I do not know that I can go much beyond that in answering your question. However, there is one development that may eventually affect the public stereotype. Our State Department has loosened up considerably its restraints against Americans travelling to Cuba. It is now possible for scholars, journalists and students to go down there. The result is that they are coming back with a much better picture of what is going on. It is of course a totalitarian state where an immense price is being paid in the terms of human freedoms which are valuable to you and me, but it is not all black. For the average rural Cuban it is a dispensation infinitely to be preferred over that which prevailed under Batista.

The Chairman: I will now return to Senator Lang, but before I do I would like to say that personally, and if I might refer to you as an academic, that one of the characteristics of an academic is that they say “on the one hand this is the situation, and on the other hand...” and they very seldom say “I believe”. It is true that many of the statements you made this morn-

ing were your own opinions. But on behalf of the committee I am very grateful to have someone before us who is prepared to say "I believe".

Senator Lang: That is what I intended to say in thanking Mr. Plank. There is one matter, a small item of local interest that comes to mind at this stage. We had a riot in Montreal a few days ago and young Jagan was apprehended and there seems to be some suspicion in Canada now that perhaps we are an area considered for revolutionary export from the Caribbean area. Would you credit that sort of suspicion in these circumstances?

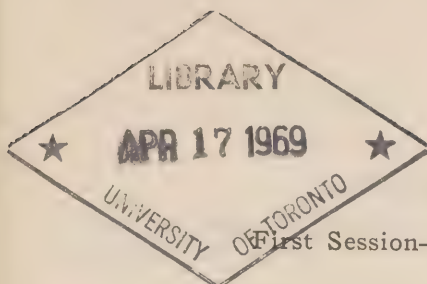
Mr. Plank: I think it is very dangerous to think in those terms. I think the thought that there is any kind of deliberate conspiratorial activity emanating from the Caribbean does not carry us very far. We are doing the same thing in United States. It is so much easier if you can get an international conspiratorial twist on student unrest. It simplifies the thinking processes for most of us. There are of course conspiratorial elements in Cuba and in the United States with its numbers of disaffected Cubans who would like to be able to take the credit for causing the sort of thing that happened at Sir George Williams University and Columbia. But I think that gives Castro and the communists an unwarranted amount of credit. They do not have that kind

of power and they do not have that kind of following. I do not know specifically about the Sir George Williams' case, but I understand it had something to do with colour and the general syndrome of student unrest about the way universities are run, but I do not think it is warranted to suggest that conspiratorial elements are involved relating back to revolutionary elements in the Caribbean. As I say, I do not think it is warranted to think that, but I would have to know more of the facts in the case. That people identified with communist conspiracy will identify themselves with these movements is perfectly obvious, and there is every reason why they should.

Senator Lang: May I add to the Chairman's remarks in thanking you, Mr. Plank, for being here. You have demonstrated to us and have strengthened my long-held belief that there is a strong element of altruism in the American people. Their foreign policy is often today completely misconstrued and I hope that here in Canada we will never fall into that error and what you have said here today will help us to avoid it. I want to tell you how much we appreciate your being here with us today.

Mr. Plank: Thank you.

The Committee adjourned.



First Session—Twenty-eighth Parliament
1968-69

THE SENATE OF CANADA
PROCEEDINGS
OF THE
SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 4

TUESDAY, MARCH 11, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Dr. Alexander N. McLeod, Governor of the Central Bank of Trinidad
and Tobago, Trinidad, West Indies.

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

* * *

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

* * *

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of

travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER,

Clerk of the Senate.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Alcide Paquette,

Clerk Assistant.

MINUTES OF PROCEEDINGS

TUESDAY, March 11th, 1969.

(5)

Pursuant to adjournment and notice the Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Carter, Davey, Eudes, Fergusson, Grosart, Haig, Laird, Macnaughton, Martin, McElman, McLean, Robichaud, Sparrow and Sullivan. (16)

The Committee continued the study of the Caribbean area.

The Chairman (Senator Aird) introduced the witness:

Dr. Alexander N. McLeod,

Governor of the Central Bank of Trinidad and Tobago,

Trinidad, West Indies.

Dr. McLeod made a statement; he was questioned thereon and thanked for his contribution.

At 1.10 p.m. the Committee adjourned until 11.00 a.m., Tuesday, March 18th, 1969.

ATTEST:

E. W. Innes,

Clerk of the Committee.

BIOGRAPHICAL INFORMATION

ALEXANDER NORMAN MCLEOD

Citizenship:

Canadian citizen by birth. Born in Arcola, Saskatchewan, 6th May 1911.

Education:

Bachelor of Arts, mathematics, 1933, Queen's University, Kingston, Ontario.

Bachelor of Arts with Honours, economics, 1940, Queen's University, Kingston, Ontario.

Master in Public Administration, 1946, Harvard University, Cambridge, Massachusetts.

Doctor of Philosophy, economics, 1949, Harvard University, Cambridge, Massachusetts.

Prizes: Adam Shortt Scholarship, Queen's, 1938; University scholarship, Queen's, 1939; Medal in Economics, Queen's, 1940; Littauer Fellowship, Harvard, 1945-46 and 1946-47.

Thesis (Ph.D.): *Maintaining Employment and Incomes in Canada*, Harvard University, 1949, published on Microcards by the University of Rochester Press, Rochester, N.Y., 1955.

Experience:

Since May 1966, Governor, Central Bank of Trinidad and Tobago, Port-of-Spain, Trinidad, W.I.; December 1955 to April 1966, Chief Economist, The Toronto-Dominion Bank; June 1947 to December 1955, economist, International Monetary Fund, Washington, D.C.; previously, economist in the Canadian Department of Finance, Ottawa, Ontario.

Missions:

Haiti, 1948. Member of the United Nations Mission. See *Mission to Haiti*, a United Nations report published in 1949. Honduras, 1949. Establishment of the Central Bank of Honduras. Costa Rica, 1949. International Monetary Fund Mission. Libya, 1950 and 1951. Advising the U.N. Commissioner on the establishment of a new currency system on the independence of Libya. Nicaragua, 1952. International Monetary Fund Mission. Saudi Arabia, 1952 to 1954. Director of Research of the newly-formed Saudi Arabian Monetary Agency (i.e. the central bank), with the rank of a deputy governor. Guatemala, 1954 and 1955. International Monetary Fund Mission.

Publications:

"A Problem in Philosophy", *Journal of Philosophy*, 19th November 1936. "The Financing of Employment—maintaining Expenditures", *A.E.R.*, September 1945. "Proportionality, Divisibility, and Economics of Scale: A Comment", *Q.J.E.*, February 1949. "Local Currency Proceeds of an Import Surplus", *I.M.F. Staff Papers*, February 1950. "Trade and Investment in Underdeveloped Areas: A Comment", *A.E.R.*, June 1951. "Currency Unification in Libya", *I.M.F. Staff*

Papers, November 1952 (with G. A. Blowers). "Agenda for a National Monetary Commission—Discussion", *A.E.R.*, May 1958. "Canada's Industrial Opportunities", *American Banker*, October 1959. "The Mysteries of Credit Creation", *The Canadian Banker*, Winter 1959. "Security-Reserve Requirements in the United States and the United Kingdom: A Comment", *The Journal of Finance*, December 1959. "What Management Should Know About Interest Rates", *The Business Quarterly* (University of Western Ontario), Spring 1960. "Credit Expansion in an Open Economy", *The Economic Journal*, September 1962. "New Challenges For Central Banking", *The Commerce Journal* (University of Toronto), 1963. "Tight Money—Easy Money—What Do They Mean?", *The Canadian Chartered Accountant*, October 1963. "The Canadian Dollar and Its Role in Canada's International Trade", *International Business Management Lectures* 1962 (Waterloo University College). "Capital Mobility and Stabilization Under Fixed and Flexible Exchange Rates: A Comment", *The Canadian Journal of Economics and Political Science*, August 1964. "Some Observations on Trade Credit and Monetary Policy", *The Economic Journal*, September 1964. "What is Banking?", *The Canadian Banker*, Autumn 1964. "Offshore Banking", *The Canadian Banker*, Spring 1965. A CRITIQUE OF THE FLUCTUATING-EXCHANGE-RATE POLICY IN CANADA, *The Bulletin of the C. J. Devine Institute of Finance*, New York University, No. 34-35, April-June 1965. "Technical Controls over Bank Deposits in Britain", *Oxford Economic Papers*, July 1966. Contributions to *Encyclopaedia Britannica*.

THE SENATE

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, March 11, 1969

The Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, today our committee is privileged to hear evidence from Dr. Alexander McLeod, Governor of the Central Bank of Trinidad and Tobago. Dr. McLeod will be making an introductory statement on "The Prospects for Political and Economic Co-operation in the Caribbean Region," and particularly he will be discussing past schemes and arrangements for such co-operation, in other words, history; and the existing arrangements for co-operation, and the prospects for future development. He will be able to give the committee some insight with regard to the difficulties and limitations of political and economic co-operation in the region.

I might say in passing that one of the advantages of being a chairman of this committee is that one has the privilege of having an hour or two with him before the meeting begins; and I feel very strongly that one of the best pieces of Canadian aid to the Caribbean area may have been the expatriation of Dr. McLeod to Trinidad. I think it is going to be a most useful and informative meeting for you.

I would like briefly to mention Dr. McLeod's distinguished career leading to his present appointment. A native born Canadian, he has held positions as an economist with the Canadian Department of Finance; the International Monetary Fund and, as my notes say, a Canadian chartered bank. I have no hesitation in naming it as The Toronto-Dominion Bank. He has also participated in many missions, national and international, dealing with the establishment of monetary institutions and systems in developing countries.

His most impressive biography has been circulated to all members of the committee and I hope you have it with you.

Dr. McLeod has prepared a very informative background paper entitled "Political and

Economic Co-Operation in the Caribbean Region" specifically for the committee. I realize that this paper has been somewhat late in arriving on your desks but I hope to improve on this performance in the future.

On the other hand, I think you will agree that this paper will be most helpful, both in giving precision to our questioning today and in our future work. He has also submitted the text of a speech he gave in 1964 entitled "Helping the Developing Nations to Enter the Twentieth Century." Both of these documents have been circulated in advance by the Clerk.

Sir, it is with great sincerity that I would like to take this opportunity to say how much we do appreciate the fact that you have come all the way from Trinidad to assist us in our examination of Canada's relations with the Caribbean.

Following our usual procedure, and the instructions of the steering committee, I would ask Senator Robichaud to lead the questioning today; and of course I am hopeful that all honourable senators will participate in the questioning and the discussion.

I have had one further suggestion from the steering committee, that is, that perhaps we should allow the lead questioner somewhat more freedom and that possibly we could keep our supplementary questions, relating to his questioning, to a minimum. Dr. McLeod.

Dr. A. N. McLeod (Governor, Central Bank of Trinidad and Tobago): Thank you very much, Mr. Chairman. For my part, I can say with every sincerity that I am very pleased to be able to be present here and to participate in the work of this committee. Perhaps, Mr. Chairman, you will forgive me a little plug for my particular area, if I point out the ruddy countenance that I am displaying here. This is owing to the fact that I was in a sailing race last week-end. You can realize that, if you come down to our area, you can enjoy that sort of thing all year round, too.

Mr. Chairman, I would propose to give a little run-down on certain more general considerations that did not find their way into

the background paper, and then to cover in summary form some of the material in the background paper with perhaps some elaboration here and there. I should say immediately that a good deal of the credit for the material in the background paper goes to a number of my colleagues in Trinidad. Well, indeed, one of them is a Jamaican who is presently helping us out in the central bank. To them must go a great deal of the credit for anything of use that will be in the paper; I, of course will take the blame for any shortcomings or omissions.

In looking at the problems of any developing region, one can see both important similarities and important differences among the various areas of the world. For developing countries in Latin America, the Caribbean, the Middle East, or anywhere else, you find that fairly parallel problems obtain. At the same time, there are important differences—and I will come to those in a moment—which are important to understanding the problems that you people are grappling with here.

One other general comment I would like to make before turning to that, however, is to point out that in this particular region of the Caribbean, not so many generations ago, the relative wealth was much greater than it would seem to be now. That is to say, these were the sugar islands, the spice islands, where there were many exotic products grown or produced and brought to the European market. There were various things, such as indigo, dye wood, and cotton, and many other exotic products. At one time the area was really considered very rich. In fact, in France, referring specifically to Haiti, which was one of the richest areas, there was an expression, "Riche comme Creole". Now, in the fullness of time, this region has experienced a decline.

By the way, I should also remind you that Canada has a certain association with Guadeloupe and Martinique in this area. You remember at the peace treaty—I think it was the treaty of Brussels, about 1775, although I may be wrong and must confess to not being an historian—when New Canada was ultimately ceded to Britain and certain other possessions that had been taken and exchanged in those wars were handed back to France, Guadeloupe and Martinique were given back to France. They were rich sugar islands, wealthy, and considered important. If I am not mistaken, that was the event which led to a famous French writer's dismissing

Canada with some such words as: "Well, what have we lost? A few thousand acres of snow." If changing conditions have brought changing circumstances, with the development of synthetic substitutes for many of these products and with the development of competing sources of supply, it may be rather important to keep that background point in mind.

I would like to say something about some of the differences among developing countries, just looking now at the Caribbean area. I would say there are three sets of differences: Historical differences; cultural differences; and political differences. Perhaps within the cultural differences one could include some economic factors which are nevertheless part of the culture of the society.

Historically, you might, without being too arbitrary, divide the area into three quite different groups. The first is a group of one: Haiti. I mentioned that in earlier times Haiti was one of the wealthiest islands; it is now one of the poorest islands of the region. Haiti had one of the earliest revolutions, and quite bloody. I am not sure of my dates; our historians can help us out on that, but it was around 1790 that troubles began, and there were two men who rose as leaders of the slave revolt: Toussaint l'Ouverture and Henri Christophe. I believe independence was formally declared in 1804, but this was after quite a few years of struggle.

The important thing is that it was a successful slave revolt which drove out most of the administrative skills and professional skills and the whole range of "the establishment," as we would say nowadays, I suppose. This meant, you see, that they had to start further back beginning anew and having to replace those skills.

The second group would be the Spanish and Portuguese colonies, which became independent around 1810 to 1820, with some exceptions. Cuba, for example, did not achieve independence until nearly 100 years later. But there is an important difference between these colonies and Haiti in that, although there was prolonged and bloody fighting in some cases though not in all, nevertheless, the administrative and professional people for the most part remained. It was, at any rate by comparison with the Haitian situation, a much more peaceful transition to independence. Perhaps "peaceful" is not the word I should use; but it was less disruptive.

Now, the third group would be the British colonies which came to independence much

later and more peacefully. "More peacefully" really applies in this case. But even within this group there are important contrasts. Jamaica, for example, was predominantly under British influence from about 1655 on. Trinidad, by way of contrast, was taken from the Spanish in 1797. Actually, Trinidad had a French culture for a hundred years. The Spanish had not really settled Trinidad very effectively and, under the pressure of the wars and differences among the imperial powers, the Spaniards began to feel that they were rather vulnerable to attack. They therefore invited in many of the people from neighbouring islands, particularly from the French islands, so that for perhaps 100 years the real language of Trinidad was not Spanish—and certainly not English—but French or French patois.

All these things have made differences in the patterns of these countries which you can identify today, and they have a bearing on the problems we are dealing with.

There are important cultural differences. In many parts of South America, Central America, and Haiti you have substantial amounts of subsistence agriculture: People who are only on the margin of the market economy; people who raise food crops primarily for themselves, even though they may take some of the crop to the local market, sell it for cash, and immediately buy something else with it that they cannot grow themselves. It is quite a different type of operation from what is found in most of the Commonwealth Caribbean, for example, and most of the islands.

Another important difference is the existence of latifundia—large plantations. This varies substantially from country to country. By way of contrast, you have Costa Rica where there is a substantial volume of production even in coffee and things like this—and coffee is the principal export crop—but a substantial amount of the production remains in the hands of relatively small independent producers, but in the rest of Central America you have a predominance of large estates or latifundia. In the Caribbean islands you had substantial plantations too, though they differed in many respects from the latifundia of Central America and there has of course been more of a transition to other crops.

There are important differences also as to whether the cultural mix in a particular country is mainly the result of the impingement of a European culture on an amerindian culture, which is the case in most of Central America, or whether it includes African cul-

ture such as in the Caribbean area where, as you all know, there was a substantial importation of slaves from Africa, and later in many of the countries the importation of indentured labourers, particularly from India.

In some of these countries there are largely unintegrated amerindian communities. In other countries, such as Ecuador, which does not come within the scope of the matters being discussed here, you find similar situations. These people have proud cultural traditions of their own. They resisted the inroads of the Spanish by military means at first and peacefully afterwards, and you find in running these countries for example that they use the term "indio" and "ladino" meaning people, not particularly of a racial origin, but of cultural patterns "indio" means somebody who continues to follow the traditions he inherited from his Indian ancestors. Ladino means somebody who has accepted western culture. I can show you a picture of people of Chichicastenango in Guatemala where you will see people who are clearly identical in racial origin. But some are dressed in western clothes and have clearly followed western traditions, and the others are dressed in traditional clothes and clearly have not.

There are also some important differences of national characteristics in countries that are close neighbours. Again to use Central America as an example, in most of the area people live in the highlands where it is healthier and where they tend to be more active. In Nicaragua in contrast most people live at a relatively low elevation; nevertheless they are quite active and cheerful and quite outgoing in their approach to life, whereas some of their neighbors are quite reserved. There are thus important differences among people whom superficially you would expect to see showing similar characteristics.

Political differences are also quite important. One of the things that I think it is important to keep in mind is that democracy is largely nominal in many of these countries. That is to say the real effective power is in the hands of a relatively small "establishment". These people, nevertheless, do use democratic terminology; they know the language; they speak in these terms; and they have many of the trappings of democracy; but it is not necessarily to be interpreted in the same sense as we are accustomed to thinking of it or where there is really a basic understanding among the people and a willingness to accept the decision of the ballot as a way of settling certain disputes. In others of

these countries democracy in a much more meaningful sense does exist. It is for the most part somewhat different from what we know under the British system, but it does exist and is making important progress.

I would have to add, having said that democracy in many cases is largely nominal, that you have to understand the situation. There is a reference to it in the talk which I gave almost five years ago, which the chairman mentioned. Even with the best will in the world, a group of people coming to power and wanting to improve things meet with such difficulties in moving the whole society forward that it is perhaps understandable that in their frustration many resort to undemocratic means of getting things done. I am not defending this; I am merely pointing out that it exists.

I would now like to focus your attention on the Commonwealth Caribbean. For a variety of reasons Canada's connections with the Commonwealth Caribbean are, I think, particularly close. It is also, as it happens, a region that is relatively well off economically. You will notice that I said "relatively". You find very little subsistence agriculture there. The average per capita income is relatively high. I am sure you appreciate the difficulties of making really meaningful effective comparisons with something like this where you have to take intangibles into consideration, but within the limitations of statistical measurement this is the case.

Another most interesting thing about the Commonwealth Caribbean is how unselfconsciously British the people are in many respects. I think the way Britain has managed its affairs in its colonies and other dependencies certainly leaves room for improvement. Let us however remember to judge people's actions by the standards of their time and not by the standards of our time, just as we hope the future will judge us by the standards of our time and not by the higher standards that will presumably have developed in the future. I think it is a very real credit to what the British have done in their colonies to find them, as I say—and I find this word perhaps the most descriptive—so unselfconsciously British. We drive on the left-hand side of the road. If you go past Queen's Park Savannah in Port-of-Spain on a Sunday at this time of year you will find probably 20 cricket games going on. Very many people have gone to Britain for their education; Canada is quite a favoured place, in spite of our cold winters; and many have gone to the United States.

The British political institutions have been adopted and followed, I think with understanding and—shall I say—devotion.

I was quite impressed to come upon two or three people at a cocktail party once not very long ago in earnest conversation. One of them turned out to be a man who had been a member of Parliament but who was not presently in Parliament. He was talking to a cabinet minister and was giving him quite a bit of fatigue, as we say down our way—quite a bit of—well, perhaps there is not a better word.

The Chairman: A hard time?

Dr. McLeod: Yes, giving him a hard time about some of the areas in which he felt his government was not giving due consideration to things like its relationships with the press, principles of parliamentary democracy, and so on. These people clearly had debated this, they had an understanding of what was involved, an appreciation of and a devotion to these things. I do not think there are many places in the world today where you would find people in developing countries discussing that sort of thing.

I am sorry if I have departed a bit from—Well, I am not sorry for that, but I am sorry if I have taken a little longer than I had intended on it, but those are considerations I think are probably important to you in appreciating the problems of the area and the differences among the various members of the area.

I would like to go over, fairly quickly, then, the essential points I have tried to make in the background paper submitted to you.

I begin by pointing out that there is indeed a very widespread and pervasive interest in integration of various kinds, both political and economic, in the whole area—not just in the Caribbean area, but in the whole hemisphere. Some of this can be traced back to the very earliest days. The Organization of American States, for example, can trace its parentage back to the very far-sighted views of Simon Bolivar; and even in these very early days, almost 150 years ago, they did envisage the importance of economic, social, and cultural relationships.

Other international organizations very active in this area include the Economic Commission for Latin America, which has been quite active in the formation of various regional economic associations such as the Latin American Free Trade Area and the

Central American Common Market, and the Inter-American Development Bank, a relatively new organization, being founded in 1959. Also, we must not forget the importance of many businessmen's organizations working more or less quietly at mutual understanding and co-operation.

However, there is no doubt that the greatest public attention has centred on organizations such as the Latin American Free Trade Area and the Central American Common Market and, now, CARIFTA, the Caribbean Free Trade Area. These are essentially economic in their orientation, though they do have some political aspirations and implications.

Notwithstanding the fact that technicians can make quite important distinctions between free trade areas, customs unions, and common markets, it is pretty clear that most people involved in these various groupings I have mentioned are looking to a fairly complete economic integration, at least ultimately. It may be a matter of tactics whether it is better to start at the free trade area level of these groupings, but another group may feel they have more in common, and they may start at a more ambitious level for a smaller group.

Senator Martin: I wonder if the witness would list the names of the countries involved in CARIFTA?

Dr. McLeod: Yes, I think I can. It was begun by Guyana, Barbados and Antigua. In fact, I think I mentioned them here.

Senator Martin: Yes, on page 3.

Dr. McLeod: Practically everybody is in it, with the exception of British Honduras, the British Virgin Islands, and so on.

Senator Martin: Does it include Guatemala, for instance?

Dr. McLeod: No. At present CARIFTA is essentially a Commonwealth grouping, but they have raised the question of the possible admission of non-Commonwealth members.

Presently it is Trinidad and Tobago, Jamaica, and all the Windward and Leeward Islands, as well as the three founding members, Guyana, Barbados and Antigua. The Windward and Leeward Islands, Jamaica, and Trinidad and Tobago make up the ten originally in the federation.

In all of these cases the vision of what they could accomplish has run ahead of what they

have been able to accomplish, so far as the speed with which they have been able to accomplish it is concerned. It is a very human situation and, indeed, is surely a desirable one, that our desires should exceed our reach.

There are discussions among the members of these areas, attempts to co-ordinate them, and some of the smaller groupings, such as the Andean Group, mentioned on page 2—which includes Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela—have made an effort to get together, because they were disappointed with the slow progress being made in LAFTA. There have been overtures to Trinidad and Tobago to join this group, and there are also others—the LAFTA and the Central American Common Market people, for example—who are endeavouring to co-ordinate their activities too. There has been at least some consideration given to the possibility of interconnections between practically any two of these groups that you could mention.

The Central American Common Market is widely acclaimed as the most successful among the attempts at regional organization among developing countries. There is certainly quite an impressive array of joint institutions, and great progress has been made in many areas in terms of trade, financial inter-relationships, joint planning, and so on.

I did not say very much here about the difficulties they have encountered, but even this group which has, as I mentioned, a considerable degree of historical association and compactness—and this has been undoubtedly a factor in their ability to make more rapid progress—and other advantages, has run into troubles, and they are troubles at which you could guess. Perhaps they were fortunate in that the degree of industrialization at the start was relatively small, so there was relatively little fear that an industry established in a given country would have to be sacrificed. But, they have run into such problems as the degree of local content that is required to qualify an item for acceptance as a regional manufacture. There have been allegations such as that one country had imported shirts from Hong Kong, and had taken off the labels and had put on its own, and that that was the extent of the local fabrication. There have been difficulties over revenues, because when you start increasing your regional trade on a free trade basis, and displacing trade from abroad, that has effects on revenues. There have been differences over

the location of industries. This, by the way, concerns one of the major things that the Central American Common Market has attempted to do. It has attempted to make regional decisions such as locating this industry in one country, and that industry in another country, in order to give a balanced effect.

In the field of international trade theory you might criticize this as being unrealistic. You might argue that the country which has the greatest natural advantage should have these industries, even though you would end up by having all the industries going to one country. But what advantage would that be to the others? It is of no particular advantage to Honduras to import goods from El Salvador instead of from the United States unless there is some *quid pro quo* there; the whole point of the operation is to develop new skills and to change the structure of relative skills and the comparative advantages, and so on. Nevertheless, they have run into troubles.

I should like now to move over to some of the points I discuss later in the paper concerning objectives, problems, and instruments, and to come back to the Caribbean area after.

Looking at the experience of these various groupings I think one has to say that the inspiration that started them off is still valid. There is surely an opportunity to raise the standards of living of all members; and, of course, you raise standards of living by first raising production or output. There is a real opportunity for raising the volume of production and the standards of living of these countries by developing more fully the potential of the population by training and education, by drawing presently unemployed resources into production, by the adaptation of already known techniques, and, of course, with the assistance of outside capital and know-how. Indeed, the costs of this program should be basically self-liquidating, because you will be adding to the capacity of the population to produce and, therefore, to consume.

The making of this vision a reality is where the troubles come in. You have, of course, the very obvious set of problems having to do with just the physical productive processes such as the assembling of the factors of production, the training of people, getting the capital, and getting a going concern operating, which are really the keys to obtaining an operation that can produce efficiently and sell competitively.

Those problems are difficult enough, in all conscience, but I think a review of the experience in this area and other areas would support the thought that what I have called the behavioural problems are much more important. It is a complete social change, and a change in every other way that is involved in this. This is really a much more difficult change to make effectively than that concerned with the purely physical aspect of things.

You may remember novels and social discussions of an earlier generation concerning the problems of new immigrants to the United States and Canada—although I think most of the writing was done about the United States—and the difficulties involved in people making a transition from a European environment to a North American environment. That was a transition that was, on the face of it, relatively simple. The differences between the circumstances in which these people lived and those in which they now found themselves did not seem to be that great. Of course, they were coming to greater opportunities because the opportunities they were leaving behind were not satisfactory, but they suffered what we would now call “cultural shock”. It was quite startling for these people to make the change. The older generation had inherited established values to which they were able to hold, but the new generation tended to reject those traditional values which their parents had observed in their homes in Europe, and yet they had not really a clear set of values to which to adhere in the new environment. This involved great difficulties. We talk about the generation gap now, but it certainly existed then. It was a very difficult problem that the second generation immigrants, in particular, faced when they tried to adjust to a new environment.

In the face of that, if you think of a society that in about a single generation we are trying to move over a social gap that Europe took 200 years to bridge, then you will understand that this is where the real problems come in. These are the problems that have slowed down the existing efforts at integration on the political side, the economic side, and all along the line.

Thus there are major economic problems in any attempt at integration especially where you have countries that have already made an attempt at economic development; they have invested a good deal of time, trouble and money in a certain area that maybe would not look so economic on a regional basis if put

into a wider context. There are also all the social problems I have mentioned of adjusting ideas and moral values. And, of course, there will be special and privileged interests with positions to defend—economic interests, political interests, social interests. However, it is not fair, I think, to blame everything on obstructionism and vested interests—and I tend to use the expression “vested interests” in a non-pejorative sense, meaning simply established positions. There are many courageous men who will look ahead at what is involved there and quail at the prospect. It certainly is not easy. Even where these costs and risks of transfer are readily accepted, there are all sorts of real problems in making a fair distribution of the incidence of these costs on the participants and a fair distribution of the benefits among the participants.

Looking back to the West Indies Federation from this point of view, there is a book I suggest you might find worth some study, because I think you will see documented a good many of these problems I have described. I mentioned to your secretary a book by Mordecai called *The West Indies, the Federal Negotiations*. I do not think many of you would want to read it all, but at least a glance at the first two chapters will show some of the problems involved. This is an area in which you can trace back efforts at federation even for a couple of hundred years or so, for the main part coming from the administrative side, from the commercial and plantation people in the islands themselves, or from the Colonial Office in London, primarily from the point of view of administrative simplicity and economy. That is certainly logical enough in itself; there is nothing wrong with efficiency and there is nothing wrong with economy.

However, in the inter-war years a new phenomenon arose in that local political leaders were beginning to arise and espouse federation. Their approach was linked with their efforts towards increased independence and increased political self-determination. This was seen as the most hopeful medium of advance there, the Colonial Office tending to resist it on the quite reasonable grounds that they wanted to see some progress towards experience in management and some degree of the ability of these economies to support themselves financially. I do not mean to defend entirely these views, but they were not without some reason behind them. There were conflicting feelings within the colonies themselves as between the establishment—if

one can use that term again—that is the responsible commercial and business leaders and so on, and the mass of the population, who still had no franchise or a very limited franchise.

During the Second World War there were some beginnings of real contact among these islands through the Colonial Development and Welfare Organization and the Anglo-American Caribbean Commission. It must be realized at this point, that the contacts were much more direct and immediate between each island or each individual country and Britain, or in some cases New York or North America, than with one another. This is still true of communications. It is much easier to get from one of these islands to New York or to London than to get to another island, unless it happens to be very close by, even by plane or ship or any other means. There was not much of a tradition of internal connection, with the exception of the eastern area where many of the islands are fairly close to one another. The approach to federation at this time from the islands' point of view was really linked to political aspirations and not particularly to economic realities, although the benefits of economic integration were recognized.

At the end of the war there was a rather sudden change of attitude in London because of the many problems Britain had to deal with at that time, and a recognition of the changed thinking in many parts of the world. This combination of factors meant that Britain was suddenly prepared to move much more rapidly on federation and not to insist as strongly as before that advancement towards political independence must be linked with federation.

At the same time there was within the area the development of national feelings, and the beginnings of individual development programs. In most of these countries “pioneer industry” legislation dates from about this time, and things began to move forward rather quickly. Many of these countries still had only a limited franchise and a limited degree of self-government. As these things moved forward together rather fluidly, constitutional advances in some of the units were going ahead much more rapidly than seemed to be in prospect for federation. There were all the pulls and tugs of established political interests in individual countries established economic interests, the recognition of the desirability of working together towards integration into a larger area, and yet at the same time

there were the very human limitations of the day-to-day problems involved in getting there.

I think that that is in many ways a very sobering assessment of the problem. I often say that the trouble with us humans is that we are so very human. We have all the human frailties, and we have the hopes of advance and the aspirations, but our human frailties often get in the way of achieving our goals.

To return to what I said in my background paper, I think these aspirations are valid. I think there is a very good chance of making a go of it. The difficulty is bridging these very serious behavioural problems in getting there. The available instruments which we have talked of have clearly permitted some substantial advances towards these goals, but it is also equally clear that they are not magic wands that solve all the problems.

Where do we go from here? I think it is very clear that we must expect the developing countries in the Caribbean—again I am speaking of the whole area, not just the Commonwealth Caribbean—to accept a major share in the responsibility for their own progress. I think this is recognized and accepted in the region. Intelligent assistance from friendly countries outside the Caribbean however, can make the difference between success and failure. It is clear that the various forms of aid which are now available, ranging through cash grants, technical assistance, and the provision of know-how and loans, can all materially help, especially in what we now call infrastructure projects, such as things that provide the necessary community services and so on.

Even here I think we have to be wary of suggesting something for an area that is appropriate for a more sophisticated economy. We must not overlook making the best efficient use of local resources. As I mentioned here there is a possibility of making greater use of the sturdy small schooners that have traditionally plied the waters of the Caribbean. In fact, I understand the transportation people are indeed working on the possibility of making better use of some of the small schooners for feeder services and that sort of thing. This is an example of using local resources, local skills, and things on a local scale that would not be appropriate in a more sophisticated economy.

I have also used in my paper the term "suprastructure". I do not know if anybody

else has ever used this, but surely it fits in very well with the quite familiar term of infrastructure, because the purpose of providing the infrastructure is to encourage what I call the suprastructure to grow naturally on top of it. That is what it is supposed to do, provide the support for what are sometimes called the productive elements of society, though this is hardly fair. Surely these community services and other parts of the infrastructure are also productive. People are willing to pay for them and they are necessary.

The real object of development is to get the output of end-products on a competitive and efficient basis.

The Chairman: If I might interrupt, Dr. McLeod, I think your definition is quite a good one on page 7, where you say:

... I suggest that this word may be used to describe the general body of facilities for the production of goods and services for sale at home or abroad on commercial terms.

I rather think the key words in that are "commercial terms". I think it is quite well defined there.

Dr. McLeod: Thank you, Mr. Chairman. I think it is desirable to put that in the record because I did give some thought to putting those words together. As I pointed out in the paper, there may be some degree of overlapping in coverage between infrastructure and suprastructure because some of the public utilities can quite properly be treated under either category.

Now, to try and be more specific, again I have suggested here the possibility of incorporating more industry in the smaller developing countries into the productive processes by way of producing components. It seems today that industry is tending to develop into ever larger units, and of course it becomes increasingly difficult for a small country to put up the initial capital or the entrance fee into one of these major industries. Decentralized production of some of the parts or components may be one approach. Even the industrialized countries are finding that there is a good deal of scope for this. Many bicycle parts and components from Japan are included in bicycles made here in Canada. I mentioned the automobile industry agreements between Canada and the United States. There are some possibilities there, and some very important difficulties of course.

Senator Martin: What do you mean by that? Possibilities in what way? You mean that you could have something comparable to the Canada-United States agreement, operating between given countries and the Caribbean Commonwealth?

The Chairman: Senator Martin, if I might interrupt. I think that in the interest of time at this moment, sir, I would prefer that the witness finish his statement and we might then proceed with a specific question. I think the quick answer to your question is that he is using this by way of an analogy where the problem of scale is involved.

Dr. McLeod: Thank you, Mr. Chairman. I am just about finished with my formal presentation. I was not meaning to be too precise. How to institutionalize these things has been of course the important problem. In the case of automobile agreements I am fully aware there were some quite difficult negotiations, but they are simply an example of the objective that I have in mind. How to achieve that objective is another matter.

Another point that has impressed me in this situation is that a great many of our trade arrangements are such as to just simply preclude what seems to be the most promising place for the beginning of industrialization in developing countries—that is, the further processing of their own raw materials. This inevitably gets into a situation where even with a slight increase in the degree of fabrication you get into tariff problems. What I think may not be fully realized is the importance of the traditional freight rate structure, because this very much reinforces the tariff factor. We traditionally have low rates on bulk commodities and raw materials, and higher rates on more fully manufactured things. This is simply following the so-called value-of-service principle, which to me seems to be just a euphemism for the old business of charging what you can get. I have elaborated on this at some length on another occasion. This seems to me to be one place we could make a material change, but it is not something that any one donor country could do alone. This will take a great deal of work and effort internationally.

The final point in the paper, which I would like to emphasize again, is that it is surely important to realize that our object must be to promote really independent enterprises in these countries, not merely satellite industries. We should promote industries and enterprises

that will actually be owned, operated, and controlled within these countries. This is no disrespect to the important contributions which have been made and which are being made and which will continue to be made by internationally operating enterprises. However, if we really hope to get the acceptance of the way of life which we have in what we usually call the western world, if we wish to get the developing countries to believe in and to operate on these principles, that is, the market system and giving a maximum role to individual enterprise and individual initiative, surely we must do it on terms which will make it clear to them that they do have a fair chance of getting into the swim and participating, with "careers open to talent", as I have said.

If you would look at any of the developing countries, especially one with a high unemployment problem, surely it is going to welcome the establishment of a new branch plant which hires local labour and brings in all the major skills and senior personnel from abroad. It is quite reasonable that such a country would hope to increase the skills of its own people in due course, so that they could take more responsible positions in these industries and in these firms. But even that is not quite good enough. We must give them every encouragement to develop truly indigenous operations.

Mr. Chairman, the only other thing that I would add on this—and perhaps you may feel there is some element of special pleading here for the Commonwealth Caribbean—is that there may be an application here of the military principle of "exploit success". Economic development is an area in which, as many people have very wisely pointed out, the needs are very great and it is quite possible that too great a dispersion of resources applied to it may not help anyone. The Commonwealth Caribbean countries have made some very real and very sensible efforts to deal with difficult problems, to promote racial harmony, to develop and adapt responsible political institutions, and to follow very prudent financial and fiscal policies. I think that these are people who are particularly deserving of support in their efforts to make a go of it. Thank you, Mr. Chairman.

The Chairman: Thank you very much, Dr. McLeod. I am sure I am speaking on behalf of all honourable senators when I say I believe you are speaking to a very sympathetic audience when you made that so-called

special plea, as there is a common feeling with respect to the traditions which have always existed in the Commonwealth Caribbean.

I would turn directly to the question period and call on Senator Robichaud and then I will entertain questions in the order in which you put your hands up or indicate to the secretary.

Senator Robichaud: Thank you, Mr. Chairman. First, may I be permitted to join with you in expressing our sincere thanks and appreciation to Dr. McLeod for the information which he has placed before us this morning.

In addition to his background paper which he has explained and to which he has added certain details, I am sure that he has given us valuable historical information on the political and economic situation in the Caribbean region.

In the first page of your background paper, Dr. McLeod, you refer to the different international organizations and associations which may claim consideration as instruments of regional co-operation with the Caribbean area.

You refer, first, to the OAS, and then to the Economic Commission for Latin America, ECLA, then to LAFTA, the Latin American Free Trade Area, then to CACM, the Central American Common Market, and also to the IDB, the Inter-American Development Bank. The term IDB is one which is well known in Canada and one on which we could comment either favourably or unfavourably, depending on certain conditions.

There seems to be a large number of such organizations, and you state on page 2 that these are "economically oriented associations but they are not without political implications and aspirations."

Is there not a danger of duplication of efforts, particularly due to these political implications which seem to exist within those different countries of the Caribbean? Does it not interfere with the effectiveness of those organizations and does it not create duplication of efforts?

Dr. McLeod: I think there very well may be duplication of effort in this respect, but in view of the magnitude of the problem this duplication is probably not serious. It has to be accepted probably as part of the facts of life with which these people are dealing; but

indeed I would feel that, even where there is some duplication, it may mean that their activities may be mutually supporting to a considerable extent. After all, it is pretty much the same people who are working through pretty much the same agencies. In fact, you really have many fields in which there is an unfortunate duplication of effort, in the mere fact of many small countries having to set up the same domestic organizations, for example, to deal with the same problems.

Senator Robichaud: There is one other aspect which you also mention in your background paper and I did not notice that you referred to it specifically this morning. It is the proposed Caribbean Development Bank which you refer to at the bottom of page 3, where you state that, according to the recommendation which was included in their report July 1967,—

that Canada, Britain, and the United States of America be invited to become full members by subscribing 40 per cent of the equity capital, and that the regional governments should subscribe 60 per cent; membership should be open to all Caribbean countries, not merely those associated with the Commonwealth.

Could you bring us up to date on this report which was made in July of 1967? What has been done up to now in order to implement the recommendations of this report?

Dr. McLeod: Well, I think actually that Mr. Demas dealt with that in his testimony, and he was probably more familiar with the details of that than I am, because he is working fairly directly with it. What I can give you, very briefly, is that there still is some indecision on the membership in the bank. Specifically, the position of Jamaica is not clear nor is the position of some other countries, from the point of view of the possibility of additional countries coming into membership. But the principal uncertainty at the moment is Jamaica. I think there is some uncertainty about the position of the Bahamas and there is also some uncertainty as to the form and nature of the participation of some of the non-regional members or non-founding members, particularly the United States. Until this membership question is settled the allocation of capital among them is also difficult to settle as well as some of the other problems.

Senator Robichaud: In other words, this Caribbean Development Bank is not really in operation yet?

Mr. McLeod: No, it is not yet in operation.

The Chairman: I will now break the rule that I set at the beginning of the meeting by interrupting the lead questioner. I have with me a copy of *The Bajan*, for March, 1969, which contains an article by Professor G.V. Doxey in which he makes the following statement:

The news that the Commonwealth Caribbean governments have agreed to pursue the creation of the Regional Development Bank without waiting for Jamaica's decision was most welcome. Once again wise statesmanship and quiet diplomacy seems to have been responsible.

I would just like to record with respect, Dr. McLeod, that this sea of indecision seems to be still awash.

Senator Robichaud: You say that this is an instrument that might be used to assist the Caribbean countries. You seem to have given some priority to the development of agriculture, education and transportation. In relation to transportation, what are the domestic goods that could be transported or exchanged among the Caribbean countries? What are the major products?

Dr. McLeod: There are a good many agricultural products, and food crops in particular. This is one of the things that people, in commenting on the developments in this area in the past, have pointed out. The emphasis in the past has been on export agriculture, essentially. This is, of course, a problem not by any means confined to the Commonwealth Caribbean. You find this same problem in Venezuela and other countries, especially where you have relatively highly productive aspects to the economy such as the oil industry or certain agricultural crops. In concentrating on production for export you do have the tendency to drain people away from food crops for reasons that do not have long-run validity but which are understandable enough immediately. These areas tend to import a lot of foodstuffs, and, almost by definition, this opens an opportunity for developing more effective use of local food products.

I think what is involved here, among other things, is the agricultural revolution that has been going on for a long time in other parts of the world, and to some extent in the Caribbean region, too. You have the availability of foodstuffs and so on from abroad in

handy and useable form, and you have the problem of getting an integrated, modern production of local foods that will have a co-ordinated approach in terms of the selecting and developing of improved varieties, fertilizing, finding the best productive techniques, processing, transporting, and marketing. In the modern world this seems to require a much more fully integrated operation. This is one of the areas in which there is scope for considerable advancement.

Actually, I should say this goes somewhat beyond your question of merely producing for use within the region. It implies some scope for winning external markets, but even as things are now there is considerable trade in food crops within the area and this could undoubtedly be further expanded. Guyana, for example, is a considerable exporter of rice to some of the other countries of the area. They export bananas and plantains, too. And, of course, there is a growing trade in manufactured goods as well, especially from Jamaica and from Trinidad and Tobago. Quite clearly, one of the objectives of the exercise towards greater economic integration is to get a market in which it will be possible to develop local products. For example, the shirt I am wearing today is made in Trinidad in the garment industry there. There is considerable hope at least that it will be possible to increase regional trade on this basis.

Senator Robichaud: Many Canadians consider that one of the major industries in the Caribbean should be the tourist trade. However, in listening to witnesses who appeared before this committee previously, we got the impression that perhaps we were overrating the importance of the tourist trade to these areas. Could we have your comment on that? I believe the reports will show that the Canadian and American tourist trade is increasing from year to year and gaining in importance.

Dr. McLeod: I think that I would fully support what Mr. Demas said to the committee. I have to be careful that I am not putting words into his mouth, but I believe he would agree with what I will say, too. It is very clear that there is a great potential here for tourism. There is not doubt about it.

Mr. Demas pointed to some of the problems in this connection—the sociological problems and so on. What he was getting at is, I think, that it would be a much more healthy operation if the development of the tourist trade could be linked with the development of

other things. He mentioned in particular the supply of food and other goods to the hotel industry. But I think it goes beyond that. He mentioned the sociological problems, and I can only guess what he was thinking. If we were to put ourselves in the position of somebody on one of these small islands where tourism may seem to be the only immediately promising thing, what would be our alternatives? We might be running a small shop or trying to grow a crop on a small plot of land. We might be in any of the various current employments. Then we would see a big hotel come in with wealthy visitors—and all of us in this room would appear very wealthy in this context—and a standard of living that we had little knowledge of. The very tip that a visitor might give to a waiter or porter out of the kindness of his heart or simple generosity might be rather distorted in terms of the local scales of the value of an honest day's work. Think what that would do to your self-respect.

I think here perhaps is a very great example of the need for co-ordination in this business of planning. You mentioned education which partly brings this to mind. Mr. Demas also spoke of the need for help on program planning as distinct from project planning. Again I want to be careful not to put words into his mouth, but I would link it in this way, that the progress made in one field has to be matched, for a variety of reasons, by progress made in the other field. To some extent they depend on one another. The degree of industrial development must depend on education, and education must be related to the progress of industrial development. If these should get out of step, you are in trouble; if you try to develop an industry before you have people with the potential skills you need, you are in trouble, but if you develop the trained people first and have them educated for opportunities that do not exist immediately, you are in trouble, redoubled in spades.

One must accept, I suppose, a certain amount of imbalance in these things because we cannot keep things that well co-ordinated. Mr. Demas mentioned that about 80 per cent of the graduates of a certain technical school were immediately migrating abroad. This could, perhaps, be more acceptable if we were assured it was simply going to be a temporary thing. We have to have these people with technical skills available before we can expand production. But we don't quite get them in step. Now that might not be too

serious because when we get the expansion in production, we can use the people currently being graduated, and if we have lost a few that would be important but not irreparable. We might even be able to attract some of them back in time.

But this problem of co-ordination and planning is very important. A lot of good projects do not make a program. If Canada were to say that what we can do is to give some help in education, and concentrate on that, this could result in an imbalanced situation and add to unrest instead of helping to solve problems. This would be the way in which I would view this problem of program aid as distinct from project aid.

Senator Robichaud: One more supplementary question. What is normally the period of operation of the hotels and resorts? How many months a year are they open?

Dr. McLeod: The big season is from mid-December until the middle of April. There is also a substantial summer season here, July and August. I guess this is simply because our children are not in school during those months. There is quite a surprising amount of traffic down there in those seasons and there is quite an effort to develop a rounded seasonal approach.

The Chairman: I have indications from Senator Carter, Senator McLean, Senator Grosart and Senator Macnaughton. I will now call on Senator Carter.

Senator Carter: Coming from Newfoundland I was very much interested in your reference to the little schooners. That is quite a maritime term.

The Chairman: It is also the name of a beer down there.

Senator Carter: I would like you to elaborate on that a little further. Is the significance of these little vessels that they are something that they can build themselves with their own skills already available? Is it something that is very useful in the coastal trade and in communications between the islands? Could you elaborate a little further and tell us the significance of that reference.

Dr. McLeod: I would be very happy to. I would have to say immediately that I would have to be very careful about what I say from the technical point of view in transportation, transportation costs, and the economics of transportation. But certainly I can testi-

fy to the fact that these schooners are being built in varying sizes. I saw a couple being built when I was on a sailing vacation about the end of December. There were schooners as long as this room, beamy sturdy-looking craft. Others were considerably smaller. Most of them nowadays have diesel engines in them, and my understanding is that the transportation specialists are giving very serious consideration to the effective use of these schooners for serving the smaller islands, partly as feeder services to longer ranging shipping lines such as the federal boats covering the area and also to other ships that travel outside the area. Many of these islands are quite small and there are reefs around them, not all of which have been charted and very few of which have been well marked or well buoyed. But these local schooners can slip in and out of there, do the business, and do it economically. It is most interesting to see the variety of cargoes that are handled, and the passenger service. I think there are some very real specific advantages in making use of these. Perhaps improved designs could be worked out; I would not have any idea of what they should be, but they could be worked at.

Senator Carter: Is that something that can be done by themselves without any aid?

Dr. McLeod: They have traditional skills. They lay down a keel and start building.

Senator Carter: Is there any possibility of developing a fishing industry where you could utilize these?

Dr. McLeod: I think there are very good opportunities for fishing. Some people have been looking into that. The fishing at the moment tends to be in two quite different categories. The first uses quite modern equipment such as shrimpers going after shrimp in the mouths of the great rivers. They travel considerable distances; they use refrigeration, and there is quite a substantial market for their catch. The other category is the use of small traditional pirocques as we call them, which are rather similar to the Newfoundland dories. These again usually have motors in them, it is true. What the fisheries people would tell us, I would not be sure; but I believe there is considerable interest in the developing of improved and more modern methods and the use of larger boats. The extent to which local schooners could be adapted for this purpose, I do not know, but I certainly think it is worth investigating.

Senator Carter: Dr. McLeod, you talked about a common market. I was always under the impression that the economies of these little islands were more competitive than complementary, and that to have a successful common market there should be a fair percentage of supplementary economies, one with the other. What is the situation now? Is that why these free trade efforts are not being more successful, because the economies are too competitive?

Dr. McLeod: It is difficult to say to what extent it is because it is not possible, in fact, to develop this type of production economically within the region, and to what extent it is simply that the inherent difficulties have not yet been overcome. It is perfectly clear that in substantial measure these economies are competing economies in their major economic crops. Nevertheless, there are some substantial specializations among them, even in this respect. Grenada, for example is the spice island, and produces a number of things, such as cloves, nutmeg, and mace. In fact, it is the nutmeg island; it even has the nutmeg on its flag. I think also of St. Vincent, which is quite famous for arrowroot.

However, as I mentioned in answering Senator Robichaud, there is already some trade in local food stuffs, and some possibility of expansion; where one area is not self-sufficient. Economically, however, the fact you can produce a given crop in a given country does not necessarily mean you should. It may in fact be preferable for Trinidad to continue to import rice from Guyana, though rice can be grown in Trinidad.

Really the broader answer to your question is that this is what the regional trade area is all about. It is a major part of the effort to say, "Look, I have a small market; you have a small market; and he has a small market. They are all small. None of them would justify the expense of really trying to get going, even on local food crops, or textiles, or fairly simple things; but if we pool our markets, we have an economic basis to have an efficient operation in several different industries, and we can be a little arbitrary, if need be, in apportioning them among the participants. It will still be a net economic advantage to us all, and will provide a base from which we can hope to sell to broader export markets."

Senator McLean: Dr. McLeod, Senator Carter anticipated my first question with reference to fisheries. Of course, the east coast depends on the Caribbean for a tremendous

market. Our director in charge of sales recently spend a month in the Caribbean market, and he came back with quite a gloomy picture with reference to the future, say in 10 years' time.

Dr. McLeod: You are referring to the Maritime industry in Canada?

Senator McLean: That is right. He said that all these markets could be absorbed by local fisheries production. We know that in Venezuela they have been expanding their fishing to a great extent, with American aid, knowledge and equipment, and they have proved quite a threat to the east coast canned sardines. I refer not just to the Caribbean, but to other parts of the world as well. They have not the quality of fish that the east coast has to offer, but what materials do they have that could be exploited and preserved either in canned, salt or frozen, that would shut out the east coast fisheries? Do they have that type of fishery down there?

The Chairman: Are you answering now as a banker or as a fisherman?

Dr. McLeod: I will have to answer it as a non-fisherman. I would not be able to identify for you the particular varieties, but people who are interested in this feel that there are varieties that can be popularized and used in various forms of processing, drying, freezing, and so on. I have to say that the Canadian salt cod is still very popular down there, in many parts of the area, especially in Jamaica. I was treated to salt fish and ackee, which is a mixture with a certain locally grown food crop which is grown in the other islands but is more popular in Jamaica than anywhere else.

Senator McLean: You did not see any Brunswick brand sardines down there, did you?

Dr. McLeod: I do not remember, but a great many Canadian food products are found in the supermarkets.

This is one of the problems of co-operation and integration, even if you think of Canada being on the margin in this particular case. It is quite possible that this may have some adverse effect for the Canadian fishing industry. However, the Canadian fishing industry would, I suspect, look to find other markets for its own products or, indeed, if the Canadian fishing industry is ultimately not able to compete in this area, it is in part a measure of the fact that there are other

opportunities open to Canadians into which they can shift, that these people in the developing countries do not have.

Again, it illustrates exactly the problem. Even supposing we sat around and decided that this particular industry—I will not say the fishing industry, but any particular industry—in this particular area had to be sacrificed. There is a transitional problem of sharing the burden equitably and assisting in that transfer. This is something we in North America are only beginning to face up to. The Americans recently introduced some legislation for assisting companies and their employees in making transfers to other employment after having been adversely affected by trade agreements. I think that in Canada we have done something on this too. It is only a beginning, but it is the sort of thing which is a very necessary part of adaptation to regional economic integration.

Senator McLean: You mentioned Barbados. They have just started up a milk producing plant with New Zealand backing. I understand. Trinidad has started a flour mill with American capital and backing. Canada, of course, put up a kick and said that their contribution would be the supplying of wheat. They looked into that. It was an American controlled firm buying the wheat and sending it down, but the same thing could happen to many products. Apparently, it is an ambition of the local governments to try to manufacture as many products of their own as possible; is that right?

Dr. McLeod: Yes.

Senator Grosart: Dr. McLeod, my questions, incidentally, will relate to the Commonwealth Caribbean. What is the extent of the British financial withdrawal?

Dr. McLeod: Well, I do not think I can really answer that effectively, Senator Grosart. A good deal of this is more or less a matter of the history of the negotiations leading up to federation, and so on, and I do not have this readily at my fingertips. I do know that the British did make some suggestions as to the contribution they felt they were prepared to make, and it took quite a while before they were really persuaded to put something on paper. I think ultimately they were persuaded to make a larger contribution. In a sense, I think, they may have found themselves making a larger contribution initially, rather than a smaller one. I am not sure of this, but this is my impression. So.

their financial withdrawal was more in terms of urging and assisting these countries to become financially independent.

Senator Grosart: Mr. Chairman, in view of the emphasis that was placed by the witness last week on the significance of what he called the British withdrawal, could we get these figures? For example, the last figures I have are three or four years old—they go back to 1964 and 1966—and they show, for example, that a quarter of the total budget of Granada was supplied by grants-in-aid and Commonwealth Colonial and welfare grants. It was about a third of the budget of St. Vincent. St. Lucia came out from under it—about '64, I think.

Mr. Chairman, I suggest these are very significant figures. We in this committee should know just what the British are doing. Are they leaving a financial gap down there?

The Chairman: Thank you very much, Senator Grosart. I think your question is very germane. I agree with the conclusion. It goes back to the original thinking that we had when we adopted the motion for this study. If I recall correctly, some of the previous witness's words, some of the phrases used were "the apparent withdrawal of the British from the Commonwealth Caribbean", and "the disinclination of the United States to become enmeshed". This information would be very much in point, and I will direct the secretary to obtain it for you.

Senator Grosart: On the same subject, Dr. McLeod, perhaps you can give us some broad figures on the magnitude of the total budgetary requirements of the smaller islands of the Commonwealth Caribbean. Perhaps I might suggest a figure. If my arithmetic is correct, the figure in 1966 was \$60 million. This refers in a very significant way to what Canada should, or could, or would do in this area. I obtained that figure of \$60 million by adding up the total revenues and expenditures of the Little Eight. Would you give us a rough idea?

The Chairman: In which currency is that, Senator Grosart?

Senator Grosart: I did my arithmetic partly in pounds sterling, partly in U.S. dollars, and I translated them as far as I could into Canadian dollars.

The Chairman: So the figure of \$60 million that you are using is in Canadian dollars?

Senator Grosart: Yes, approximately.

Dr. McLeod: Senator Grosart, I am unable to help you in respect of these figures. They are figures with which I am not currently familiar.

Senator Grosart: Perhaps it is not a fair question to ask you.

Dr. McLeod: It is a fair question, but I am sorry that I do not have the information to give you.

Senator Grosart: Perhaps I can move to another subject. How does the relationship of population growth to per capita share of increase in G.N.P. in the Commonwealth Caribbean compare, say, to the problem in India: or, to put it in another way, is population growth a serious problem in these islands?

Dr. McLeod: Yes, it is, and it is one of the things that the governments of the area have been facing up to very realistically. I think the approach to this varies substantially from island to island, but many of the governments have had to give it very serious consideration because it is a difficult problem with the many religious groupings in the islands.

In Trinidad, for example, we have Christians of many denominations, we have Hindus, and we have Moslems. Various of these groups see moral questions and moral issues involved in population control. Notwithstanding this the Government, after very careful consideration, has instituted a program of family planning, and is giving it every support. It is going forward with a good deal of public acceptance, and it has aroused very little opposition.

The Chairman: You are speaking now of the Government of Trinidad and Tobago?

Dr. McLeod: Yes, Trinidad and Tobago.

Senator Grosart: Leaving aside the social and moral aspects, is illegitimacy an economic problem, doctor?

Dr. McLeod: Well, Mr. Chairman and Senator Grosart, this is a difficult question to answer...

Senator Grosart: I am really only asking you to relate it to the population growth. I do not want you to go into any other aspects.

Dr. McLeod: Yes. Well, throughout this region—not only in the Commonwealth Caribbean, but elsewhere—the social attitudes are

quite different from what we accept here. In many of the Central American countries, for example, they do not make this simple distinction. Even in their vital statistics they will distinguish legitimate, recognized, and illegitimate children, and the illegitimate in this sense is quite a small percentage of the total. So, these are for the most part common law marriages which are much more stable and much more recognized than we would realize from the simple interpretation of the statistics. For this reason I find it very difficult to answer your question.

You ask: Is illegitimacy as such a serious economic burden? I would not say it is. It is more of a social problem in the relationships involved there, and as part of the general population explosion, if you want to call it that; perhaps we should not use such a dramatic term, but refer to it as the rapid rate of population growth.

The Chairman: Inasmuch as you included me in your answer, Dr. McLeod—

Senator Grosart: How did you get included in the answer, Mr. Chairman?

The Chairman: Dr. McLeod commenced by saying "Mr. Chairman and Senator Grosart..."

Dr. McLeod: Mr. Chairman, I have followed the practice of addressing the meeting through the Chair. If this is not your practice then I accept the greater informality.

The Chairman: The question I should like to ask, the answer to which might partially answer Senator Grosart's question, is: Are you sure generally of the facts of the statistics as to both the legitimate and illegitimate. I mean, is the measurement factor constant?

Dr. McLeod: I am not sure that I follow you.

The Chairman: Well, when you say that there were so many babies born this year in Trinidad, are you sure of your figures?

Dr. McLeod: I referred specifically, when speaking of the statistics, to some of the Central American countries that made the three-fold distinction I mentioned. I confess I do not remember looking at the Trinidad statistics in this respect. I do not think they make this distinction. However, I would say the statistical comparisons that would be made would be valid and comparable from year to year in Trinidad; they would not necessarily

be valid comparisons from one country to another because they might be prepared on a different basis.

Senator Grosart: In other words, I presume you suggest that the raw figures sometimes given in this connection, certainly in external publications, might be subject to revision if the difference in the social mores is only ceremonial?

Dr. McLeod: I would not put it quite that way. I think it is more a matter of interpretation, what meaning you attach to it. I think the figures are valid enough as figures. I am sure that the statistical officers in these areas do their best. Indeed, I might say that in the Commonwealth Caribbean we are generally fortunate in having quite good and comprehensive statistics; not perfect by any means, but they are generally good and comprehensive.

Senator Grosart: The usual phrase is "born out of wedlock." It really depends on what kind of "wedlock" you are talking about. Why are some of these smaller islands and some mainland territories—for example, British Honduras, the Caymans and the British Virgins—not in CARIFTA?

Dr. McLeod: I am not sure I could answer that. I have indicated that there are various degrees of contact among these regions. At this point some of them simply have not felt the community of interest. I think the British Virgins tend to look rather to the American Virgins; there is some feeling of kinship there.

Senator Grosart: Most of their exports are to the American Virgins, are they not?

Dr. McLeod: Yes, or to the United States economy generally. Of course, this is true in a good deal of the area. Roughly speaking, Trinidad exports are about equally divided between the U.S. dollar market and the sterling market. With other areas I suppose it is partly remoteness. The real feeling of community is only gradually growing.

Senator Grosart: The Caymans have a long association with Jamaica?

Dr. McLeod: Yes.

Senator Grosart: One would have thought they would have come in.

Dr. McLeod: I suppose the situation is still somewhat fluid. After all, CARIFTA began

with only three of the area and most of the others have now come in, except for British Honduras and the British Virgins, and perhaps some of the smaller islands.

Senator Grosart: I was very interested in your use of and your definition of the word "supra-structure". It seemed to me that a very important component of that should be inter-regional marketing. Has anything been done along those lines? For example, prawn fishing in the North Sea is an outstanding example. Only a few years ago the fishermen threw the prawns back into the sea; then somebody decided to call it scampi and it is now a premium food. Is anything like that being done in the Caribbean? Obviously there are products that could be marketed if somebody, CARIFTA itself or external aid, could help them set up a real marketing agency to develop something like guava jelly, for example.

Dr. McLeod: I am glad you mentioned the guava jelly and the scampi, because I think you have put your finger on a quite important possibility, to which I have already alluded. In fact, this refers to a number of points brought out in the discussion today, including the need for an integrated approach. The fishermen who just threw the scampi overboard did not get very far until there was an organization prepared to take the fish and process and market it.

Senator Grosart: In that case it developed in Italy and the chief beneficiary is Ulster.

Dr. McLeod: There are many opportunities like that. Another strand I would introduce here is the question of programs rather than projects. Looking at development from the point of view of the economy as a whole and what can be done, which is what is involved in this integrated approach, is another aspect. I believe there is a great deal of scope for this sort of thing. There are people interested in it and trying to make some progress. With respect to fishing specifically, I know of one group who are quite keen. The leader of the group is an energetic Chinese gentleman of about 76 years of age, who has made quite a bit of money in various commercial enterprises; he is more energetic than many people half his age. He says, "If I think of something I can do for this country and I don't do it, I feel I am a traitor." He is full of new ideas and is exploring new ideas, and marketing fish products is one of his favourites.

Another group of which I have heard recently are doing exactly the same sort of thing in agriculture. They are only just getting started. They have a mind to try to develop local sources of exotic vegetables. To the local people apples are an exotic fruit, but I am here referring to exotic tropical fruits and vegetables that could be marketed abroad. This group is considering an integrated operation which would actively control the experimentation and selection of varieties, growing conditions, processing, packaging and marketing, including marketing abroad. There are activities like that going on, and I think there is scope for more of them.

Senator Grosart: Is your shirt Sea-Island cotton from St. Vincent?

Dr. McLeod: This is cotton and terylene. I am not sure whether the fabric is woven in Trinidad or whether it may have been imported and made up.

Senator Grosart: St. Vincent grows the best Sea-Island cotton in the world, yet one never hears of St. Vincent in that respect.

Senator Robichaud: I have a supplementary question related to the development of processed foods and fishery products. Is it not a fact that one of the main handicaps to the development of the fishing industry or the processed food industry is the lack of refrigeration facilities, warehousing, and so on?

Dr. McLeod: This needs to be part of the whole process of packaging and so on.

One thing I forgot to say in continuing this very same thought is the point I mentioned with respect to the guava jelly. It is most difficult to get marketing of these things exactly for the reasons that I mentioned. I was involved in Guatemala off and on and a few years ago I ran across some packaged Guatemalan instant coffee in a food store in Toronto, as well as some packaged Guatemalan honey. This is the honey from the coffee flowers. It is an example of what I am talking about with respect to further processing. I looked at the label of the coffee and found that it was processed in California. The honey was processed and packaged in Britain and re-exported back to Canada. I used to take these around in talking to businessmen's groups and put them on the table in front of me to show, as a concrete example of this problem what happens when you do try to process even very simple products like that. You get into a situation where the established

commercial firms are in a better position to do it.

Senator Grosart: That is not unusual. Lee and Perrins Worcester sauce is now made in Winona, Ontario and Guinness beer in London, Ontario.

Senator Macnaughton: Mr. Chairman and Dr. McLeod, it is getting late and I will concentrate on two questions. When Canadians go to the Commonwealth Caribbean area many of us are inundated with requests to invest either private capital or to induce the Canadian Government to invest Canadian Government capital. The question is, what security is there for capital in the present political climate which has radically changed? More or less related to the same question, what role do the Canadian banks play in this area?

Dr. McLeod: Well, the security of capital is bound up, as you very clearly indicate, with the question of political stability in the area. I have indicated that the Commonwealth Caribbean has an enviable record in this respect. There have been some undesirable aspects in some countries, but I only mention—and again I hope you will forgive me—that Trinidad and Tobago have I think made a conscientious effort to avoid racial problems, notwithstanding the fact there is a very wide diversity of racial groups as well as religious groups represented there. They have been very successful so far. They have dealt very well with it, but I can only throw this back as part of the same problem. We have to exploit success or the success may not remain. These are areas where I think you can say that a very creditable degree of stability has been established. Whether it will remain stable is partly bound up with whether it will get the capital, the investment and the expansion; and whether it obtains these things is bound up with the political stability. There you have one of these chicken and egg situations, and I think they can only be answered together.

Senator Macnaughton: I have several other questions, but it is late, Mr. Chairman.

Dr. McLeod: Excuse me, you did ask me about the role of the Canadian banks. Well, the role of the Canadian financial institutions in general—there are insurance companies, for example, down there but particularly the banks—is essentially that they serve the local community. They in effect are repositories of savings within the area and serve to re-employ the savings within the area.

Now, so far so good, but I think we in Canada are very conscious of our pride in our own financial institutions. They are under our control and we have had some squabbles in the past in keeping them that way. I think we should therefore appreciate that the developing countries—certainly this is so in the Commonwealth Caribbean—would also like to develop their own financial institutions and develop some autonomy in this field. I think they are very realistic in this and they recognize that it must depend entirely on the confidence of the depositors and the creditors in these institutions. I think they are looking to Canadian institutions to assist them in making this transition.

Senator Macnaughton: You are saying in effect that the Canadian banks do give leadership as to economic development, economic advice, financial loans and the rest of it?

Dr. McLeod: Yes. There is always the question of scale and the extent to which commercial banks can get involved in medium- or long-term finance, but I think they are making a useful contribution there. I was also referring specifically in terms of Trinidad and Tobago to the last budget speech, the Speech from the Throne, the five-year development program which Mr. Demas spoke of. In all three of these there were references to the desire to develop indigenous financial institutions. There is a specific indication they would welcome the external banks, including the Canadian banks, to incorporate locally and to establish a structure that would have some local participation immediately and at least in principle could eventually develop into fully indigenous institutions.

The Chairman: Inasmuch as we are quite a bit past one o'clock, I would ask Senator Davey to be the last questioner. I believe we still have a number of questions to ask Dr. McLeod, therefore, I would also invite any members of the committee who wish to join both him and me for lunch to do so and we could proceed afterwards.

Senator Davey: I wanted to ask you about the behavioural problems you refer to in your paper. I am wondering if these behavioural problems such as any possible political or economical co-operation tend to diminish with succeeding generations?

Dr. McLeod: I do not see it as a problem of any particular generation. I suppose it is essentially the question of human adaptation. Perhaps I am not really following your train

of thought properly. I see what you are getting at. Yes, once you have got a start on this and begin to make some progress in solving the behavioural problems I would think and hope that it would lend itself to gradual advance. I would have to recognize also the possibility that it might not.

Senator Davey: It is not happening yet in other words.

Dr. McLeod: You take the Central American common market. It got off to a very good start and made some tremendous progress. They have now come onto some problems which have raised some quite serious threats. I suppose we humans would never have made it up from the cave if we had not overcome difficulties like that from time to time. Have I followed the point you were after there, Senator Davey?

Senator Davey: I may pursue it with you at lunch.

Senator Robichaud: Mr. Chairman, before we adjourn, I am sure that all members of this committee wish to extend to Dr. McLeod their thanks and appreciation for giving us the benefit of his wide range experience in the financial and monetary field, particularly as it relates to the Caribbean area.

You have assisted us, Dr. McLeod, in becoming more familiar with the potentials for the development of these areas, and you have shown us what intelligent assistance from friendly countries such as Canada could do to assist the Caribbean. Thank you.

The Chairman: Thank you very much, Senator Robichaud.

The committee adjourned.



First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

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UNIVERSITY OF TORONTO

No. 5

TUESDAY, MARCH 18, 1969

Respecting

THE CARIBBEAN AREA

WITNESS:

Professor George V. Doxey, Professor of Economics and of Administrative Studies, York University, presently visiting Professor at the University of the West Indies in Barbados, West Indies.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

Extract from the Minutes of Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Belisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing

purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Alcide Paquette
Clerk Assistant

MINUTES OF PROCEEDINGS

Tuesday, March 18th, 1969.

(6)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Carter, Fergusson, Gouin, Grosart, Haig, Martin, McElman, Pearson, Quart, Rattenbury, Robichaud, Sparrow and Thorvaldson.—(15)

The Committee continued the study of the Caribbean area.

The Chairman (Senator Aird) introduced the witness:

Professor George V. Doxey, Professor of Economics and of Administrative Studies, York University, presently visiting Professor of Economics at the University of the West Indies in Barbados, West Indies.

The witness made a statement; he was questioned on that statement and on related matters. The Chairman thanked Professor Doxey for his contribution to the present enquiry.

On motion of Senator Rattenbury,

Ordered: That the background paper submitted by Professor Doxey, entitled "*Trade of the Caribbean Countries with the Developed Countries and the Aid they Receive*" be printed as Appendix "A" to the printed proceedings of this meeting.

At 12.50 p.m. the Committee adjourned to the call of the Chair.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

George V. Doxey B. Sc. (Econ.), M. A., of Lincoln's Inn Barrister-at-Law. Born Capetown, South Africa, 1926. Canadian citizen.

Member of faculty of York University, Toronto, since 1962. Chairman, Dept. Economics, 1963-67. Presently Professor of Economics and of Administrative Studies, York University, on secondment to C. I. D. A. as visiting professor of Economics at the University of the West Indies in Barbados.

Former member of the south African foreign service and advisor to the British Foreign Office. Previous academic appointments at Universities of Capetown, Witwatersrand, and London. Attended the 1950 Torquay Conference of the General Agreement on Tariffs and Trade (GATT). Member of the Tripartite Economic Survey of the Eastern Caribbean, January-April 1966. Member of the Council of the Canadian Institute of International Affairs.

Has acted as consultant to various bodies and more recently collaborated on the feasibility study of Canadian-West Indian Free Trade for the Private Planning Association of Canada. In Nov. 1968, was a delegate to the meetings of the Canadian and Caribbean Chambers of Commerce in Jamaica.

Has written widely, and publications on the Caribbean include—Report of the Tripartite Economic Survey of the Eastern Caribbean, Jan-April 1966. Ministry of Overseas Dev. H. M. S. O. London, 1967. (Co-author) "Canada Takes the Initiative." The Round Table. London, 1966. (Oct.) "Canada and the OAS" The Caribbean and Latin America: Political and Economic Relations Conference, U. W. I. Jamaica, March 1967. "Canada and the Commonwealth Caribbean" Study in progress for C. I. I. A.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, March 18, 1969.

The Standing Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, on your behalf, I would like to welcome Professor George V. Doxey to our hearing. We appreciate very much the fact that you have travelled to Ottawa from Barbados to give evidence here and to aid the committee in its deliberations. It is perhaps an easier trip than it used to be, but in any case we are very grateful.

Professor Doxey has already submitted a written statement entitled, "Trade of the Commonwealth Caribbean Countries with the Developed Countries and the Aid They Receive." The countries outside the Caribbean region primarily involved are, of course, the larger developed nations having traditional links with the Caribbean states—such as Britain, France, The Netherlands and the United States. This written statement has been circulated in advance.

I would like to point out to you this morning that Professor Doxey has participated in two major studies that are of great relevance to the work of this committee. The first study was the Tri-partite Economic Survey of the Eastern Caribbean; and the second the feasibility study of Canadian-West Indian Free Trade prepared for the Private Planning Association of Canada. Other details of his publications and experience are outlined in the distinguished biographical notes that have already been distributed.

As is our usual practice, I will ask Professor Doxey to make an introductory statement, after which he can reply to any questions that may be asked of him; and also following our usual procedure, I have asked Senator Carter if he would be good enough to lead the questioning.

Professor George V. Doxey, York University: Mr. Chairman and honourable senators, I want to say, first of all, how deeply honoured I am in having this opportunity of addressing you in your series of studies. The subject that I have been asked to talk

about is probably one of the most complex from both the trade point of view and the aid point of view.

The Caribbean countries are not unique in the sense that their trading relationships are those essentially of colonial possessions. In other words, they have by historical association with the United Kingdom developed trade links with their mother country—the mother country supplying them with their needs in the form of merchandise, and they selling their one or two staples to the United Kingdom, usually with special preferences, and under special negotiated agreements.

Since these countries have begun to emerge as independent countries there is a universal desire in common with all developing countries to attempt to diversify their economies—diversify them for the purpose not only of assuring their independence but of making certain there will be more job opportunities for their populations. One of the great problems in the Caribbean, of course, is that of surplus population, and disguised and undisguised unemployment. In the past it was possible for West Indians to consider a means of escape from this by emigration, but since the tightening up of the immigration laws of the United Kingdom it has been virtually impossible for this to continue, so that the need for more opportunities has become far greater.

At the moment, though, as you have seen from the background paper that I have presented to you, the trading patterns are very similar to what they were in the past. There is still an unhealthy dependence on a few staples. You will see that in the case of most of the territories this constitutes over 80 per cent of their external trade, with Jamaica relying on bauxite, sugar and, to some extent, bananas, and the Windwards relying almost entirely in recent years on bananas, and Barbados and some of the other areas still depend very heavily on sugar.

They are aware of the risks attached to this. The sugar industry in the West Indies is certainly not in a healthy condition. I think there is fairly general agreement among economists in the region that this industry must give way at some stage or other to other industries—to a reform of agriculture, for instance.

The problem is that we are talking in terms of an industry which has an assured market. The bulk of West Indian sugar can still be sold in the United Kingdom at prices substantially above world prices, and at prices which enable the West Indians to average out their costs in such a way that they can still produce sugar in most territories at a profitable level.

But, the future is uncertain. Britain has indicated to these islands that should she enter the European Common Market, which has a sugar surplus, she will have to consider whether she will continue the present sugar preference.

As you know, in Canada we have never offered any of these countries a negotiated agreement. We have offered the Commonwealth Caribbean, along with the rest of the Commonwealth and South Africa, special or reduced preferences in tariffs on sugar, but we continue to buy sugar at current world prices. When the world prices reach the levels of recent years, below £20 a ton, at a time when, in some cases, the cost of production of sugar on some estates in Jamaica reaches somewhere in the region of £60 a ton you can see the difficulties of West Indians have in trying to sell in the Canadian market.

In 1966, as you know, the Canadian Government offered a rebate on the duties that were being paid, and this has, as I understand from my West Indian colleagues, helped to some extent, but it is not helping the industry.

Now, CARIFTA is attempting to try to bring about some of these much needed reforms—reform, in the first place, of agricultural diversification, or an attempt to build up a new agriculture based on products which may well sell on the world markets if they can be produced in sufficient quantities, and also based on produce which can supply local needs. Far too much food is imported into the West Indies. As you know, for instance, 52 per cent of our sales to the West Indies consist of primary products and foodstuffs.

Each of these countries is attempting a similar pattern at the moment which is now beginning to be geared in the overall CARIFTA experiment, and which is designed to encourage and hasten diversification through import quotas. You will find that Trinidad, Jamaica and, to some extent Barbados are beginning to apply very strict quotas on the importation of commodities which they feel they can produce within the area, and this is beginning to hit our trade significantly. The preliminary figures for 1968 show quite a serious decline in Canadian sales to the area, largely because of these quota restrictions.

Wheat flour is a good example. The Commonwealth Caribbean constituted our second biggest customer for wheat flour, but this market is slowly

disappearing with the building of wheat flour factories in the area by the local countries. This trend is going to continue, and I hope we in Canada will look upon this as a healthy sign. If the moves in CARIFTA bring about a healthy agriculture and a healthy agricultural processing industry, which, in turn, one hopes will give them the degree of economic independence that they seek, we must welcome this, but I also think we must not be too pessimistic about our own prospects. I think that once these developments take place there will be other avenues for trade. Our traditional commodities may suffer. You may well find we can no longer sell flour products down there, and certainly our bacon and pork products will be significantly affected, but other avenues are opening up very rapidly.

Much has been said in your discussions, I notice, about tourism. I feel somewhat guilty in a sense as being one of those responsible for advocating tourism as the mainstay in the future development of a great part of the Commonwealth Caribbean. We looked at the eastern Caribbean in 1966, and we were asked at that time to make recommendations to our governments for the bringing about of an economic viability in the region. We carried out our mandate. We made our recommendations after careful consideration of alternative avenues of development, and we were convinced that tourism could and should become the major generator of economic welfare in the region. We faced very similar criticisms at that time from various groups, ranging from the conservative elements or the people who feared change, on the one hand, to people who had a vested interest against change on the other, and who feared any type of economic development, whether it came about through industrial development or tourism. It is not unlike reaction to change wherever there is fear that on existing pattern of life is threatened. There is also the feeling that the industry is conditioned by the whims of potential tourists.

On the other hand, people had misgivings about the so-called built-in stabilizing effect of tourism. If a country became dependent upon an industry like tourism it might well mean that it had to match its political setup with the needs of the tourists. Alternatively, many people feared the possibility of the demonstration effect of wealthy North American tourists of white origin suddenly converging on poor underdeveloped non-white areas.

We were aware of these matters, and we took some pains in trying to point out that in developing tourism one has to view it as one would view any other industry; that one has to develop that industry in such a way that it will fit into the sociological needs of the community, and that there will be no disruption in the achievement of these ends.

I think that this is very important. One might talk of high density tourism in one area, and of low density tourism in another area. This might be on the grounds that you have alternative sources of income in a particular area. For instance, an island like Grenada, which has a healthy agriculture and which has, at the same time a unique quality of smallness and beauty—one would hardly envisage Grenada's becoming a high density tourist region.

On the other hand, one is aware of the dangers inherent in certain types of tourist development. For instance, there is the emergence of casinos, with the danger that an island's economy may fall into the grip of gambling syndicates of one sort and another. These are things one is aware of, and would certainly try to avoid. However, let me remind you that today tourism is the fastest growing industry in the world. In 1965, \$60 billion was spent in this industry alone in the world, and with every one per cent growth in GNP there is something like 1.5 to two per cent growth in tourist expenditures. It is expanding at a rate nobody could have predicted a decade ago.

The objections people have to tourism are based upon the type of person who became a tourist a decade ago. Today it is the middle-class and working man who is becoming a tourist; he is not a jet-set gambling casino type of person; he is a person who is taking advantage of reasonable cost holidays, in both the winter and the summer. This will grow, and I believe it can be made to be a very important factor in the economic development of the bulk of these islands. I myself feel that objections that may well be valid in some cases can be met by a reasonable approach to this type of development.

But what about other opportunities? We see the CARIFTA experiment. I think with the right good will on the part of the governments concerned this might well be the beginnings of a type of economic union that should have come about during the first experiment with federation. I think there is in the West Indies at the moment a measure of co-operative goodwill that seemed not to exist at any other period. We have seen remarkable statesmanship, both in the handling of CARIFTA—although there are still immense problems to be overcome—and the handling of the Caribbean Development Bank. As you know, there were certain difficulties with regard to the Jamaican attitude, but this seems to have been handled in the best possible way. Rather than having public quarrels, the other countries of the Caribbean are going ahead with the establishment of this bank leaving the door open, as they did initially with CARIFTA, for Jamaica to join at another stage. I therefore think we can say that the CARIFTA experiment is going to work and will lead to closer economic association and closer integration of their development plans.

A lot has been said about their association with Latin America. As you know, two of the Commonwealth independent countries have joined the Organization of American States, namely Trinidad and Barbados. The Prime Minister of Jamaica is on record that he does not wish to join the OAS, and he is on record that he will seek at some stage hopefully an association with Europe. This could change. As you know, politics change, but this is the present attitude of Jamaica.

Trinidad, I think, can validly say they already have substantial connections with Latin America. The oil industry has given them a very important trading partner, in addition to which a great deal of cultural influences in Trinidad stem from similar sources as in Latin American countries.

Barbados, on the other hand, is in a rather interesting situation. Here is the most British of all the former colonies finding itself in a situation in which she is developing this type of contact. At the moment the contact is being restricted to discussions on ways and means by which the organization can assist educational development, and there is very little in the way of trade links being fostered.

Guyana, one would validly argue, is part of Latin America. As you know, Guyana is excluded from joining the OAS at the moment because of her territorial dispute with Venezuela, but the Guyanese are aware that at some stage or other their future will be tied up with the future development of the South American continent. If you look at the map of South America you will see that logistically it is much more convenient for Brazil to import their goods via Georgetown for the hinterland of Brazil than to do it from the Brazilian seaports, and this hinterland has promise of great prospects in the next few decades. There are already informal business contacts taking place for a possible development of the road link from Georgetown to the Brazilian border. I can see this link as possible, and if CARIFTA does lead to an economic unit we will then see the Commonwealth Caribbean opening up direct links with Latin America.

Therefore, I do not think we can ignore the area as a whole. We cannot regard the Commonwealth Caribbean as being in isolation from the rest of the Caribbean Sea. What happens in Cuba does affect them. It may be a very small breeze by the time it reaches Barbados, but they do know about what happens there. Sometimes people have real fears of increased political instability in other parts of the region.

I would say that on the whole the former British territories are conscious that sooner or later they will become much more closely tied up with the rest of the hemisphere and that their links with Britain are

bound to become more tenuous. These links, however, are not gone. A lot of people seem to believe that the British have withdrawn. There are two very important facts one has to bear in mind. One is the continuation of British aid. The other is the existence of the so-called associated state arrangement.

The former colonies of the Eastern Caribbean, with the exception of Barbados, were not given complete independence in 1966. The British devised a political formula by which they have internal self-government, but the United Kingdom, Britain, retains the right to control defence and external affairs. There is an option that any one of these territories can withdraw from this arrangement at any time and can become independent, but the financial side of it is very important. Britain continues to support the budgets of the islands and continues to pour substantial economic aid into the area.

The present Anguilla crisis, of course, is a very good example of the problem Britain is still having to deal with in the area. Anguilla, as you know, seceded, UDI'd, from St. Kitts. This rather interesting group of 6,000 people have now declared themselves an independent state. No one quite knows exactly what is happening there. It is very difficult to get into Anguilla; you have to fly in from St. Martin. There are all sorts of alarming stories, but clearly I would say that most independent members of the Commonwealth Caribbean would like to see an early settlement of this crisis, fearful of what might take place in the future.

Now I want to talk briefly about aid. In my memoranda I have put forward a number of suggestions. When we talk about economic aid we are not, of course, thinking in terms of simply offering charitable assistance to developing countries.

We are offering developing countries aid in order that they may hasten the point in time when their economic growth will be self-generating and will become independent of external assistance. This is why it is so vitally important when one talks about the future of economic aid in any region of the world that we simply not consider how much, but make sure that whatever we are allocating for aid is being utilized in the best possible way.

The Canadian International Development Agency is often accused of being over cautious. I welcome this caution and so do intelligent economists in developing countries. A feasibility study is often worth more than attempts later on to right the mistakes made through hasty decisions in the early stages. I think in the Commonwealth Caribbean the need is for assistance to the people in the area in order for them to bring about development to themselves. They are in a unique position and they have a remarkable level of expertise. They also have quite a considerable amount of untapped savings. I believe that the time

has come now for us in Canada to consider a bold new step forward, the creation of a third body, the Canadian Overseas Development Corporation, if you like; in other words, a corporation on the lines of the British Commonwealth Development Corporation which is supported by public funds and which then will enter into association with the private sector in the Caribbean and in other developing countries to assist the private sector to develop projects of their own.

This has the advantage, not simply of providing capital to the people, but also in supplying them with the entrepreneurial expertise which they may not have. It also encourages them that the project in which they may well have thought about is a viable one. I think this type of organization can play a unique role in addition to our normal aid programs and the Caribbean Development Bank. It also ensures that we are freed of political accusations.

One of the problems in all countries, our own included, is the so-called foreign control of economies. West Indians are very susceptible and have a variety of developments which are taking place down there at the present time, particularly in the tourist industry.

One discovers constant criticism that the small guest house proprietor, who is West Indian, is unable to develop it into a medium or large size hotel which he would like to do. This is because he either has not the expertise or the capital. This is an example of the sort of undertaking that a Canadian agency of this sort could assist. I think this is very important.

Alongside of this I would put another parallel, which I mentioned in my memoranda where I thought that we should think in terms of trade being linked with aid. I have thrown out the suggestion that we might consider the Canadian West Indian Trade Agreement as an aid agreement, because what I meant by this was that we might well have to consider the possibilities of giving the new agriculture of the West Indies the help that it needs rather than, for instance, offering a sick industry like sugar, subsidization. Would we not be wiser to consider giving West Indians guaranteed markets for selected products which they can produce in that area? For example, tomatoes and fresh vegetables could be geared into our own importation arrangements. I am aware of the difficulties that would arise in this regard, but I think it is worth our considering, and that is to give these people an assured market. In giving them an assured export market I believe that we will make sure that they will be able to develop these agricultural interests. At the moment it is extremely difficult for them to talk in terms of agricultural reform, simply based on the needs of the area. Their entire expertise in agriculture has always been applied to staples, which are being exported and if you move this expertise into

another export sector you may well be achieving a purpose.

It might be necessary for us to extend these special arrangements to the support of some of their clothing industries in Barbados, Trinidad and Jamaica. They do now have a fairly healthy clothing industry which might find a useful market in Canada, but not as long as our tariffs on imported clothing remain as high as they are. In the long run, I think this type of approach is likely to prove much more beneficial to the region, as well as ourselves, than a continual series of aid programs which do not always accomplish the purpose that we set out to do, because as our expenditure becomes greater the difficulties of assuring that the aid is being used in the correct way becomes that much greater.

I mentioned tourism as well. I think that is another area we could assist. I think that we might for instance consider whether we should not grant returning Canadian tourists duty concessions far greater than a tourist would obtain in any other part of the world, so that we could encourage Canadians to visit the area. I think this again is a positive attempt to assist them rather than the indirect attempts in the past.

I do not want to carry my introductory remarks into too much depth. The field that I have been talking about is very wide and I hope the questions will range as freely over this field as possible.

The Chairman: Thank you very much, Professor Doxey. You certainly have raised some provocative thoughts, particularly the suggestion relating to a new agency or entity, Canadian Overseas Development Corporation. I would now turn to Senator Carter and ask him to lead the questioning and the Chair will recognize other senators in the order that they wish to question.

Senator Carter: Thank you, Mr. Chairman. Professor Doxey, may I say personally what a pleasure it is to have you here with us today and how much I appreciate your excellent brief and the presentation that you have just given us. At the end of your brief you raised a number of very interesting questions which I felt would make my task very easy, and these in turn of course are bound to raise a lot of questions in the minds of the committee members. I will not take too much of the committee's time in order that the others will have a chance. There is hardly any need for me to take much of your time, because in your presentation this morning you have answered practically every one of the questions that I had selected. You have pointed out, sir, that the colonial package of trade is still evident in the Caribbean in that they are still exporting staple products and importing manufactured goods from the mother countries.

Yet that pattern is changing, and I gather that it is changing fairly rapidly, as your statistics appended to your brief indicate.

These statistics indicate that, in general terms, trade with Britain and Canada is declining, while trade with the United States and other countries is on the increase. This in itself raises a number of minor questions—to what extent these changes in trade patterns, due to CARIFTA, to the Caribbean common market, to what extent are they due to growth in the economic development taking place in the Caribbean—and how much greater effect they will have in the future, as these processes continue.

It is obvious, from what you have said, that Canada will have to do some new thinking about our trade promotion in the Caribbean, and also about our aid program and its relationship to the trade promotion.

The main question which I wish to put to you, to start off the discussion, is this—if you were in the position of economic advisor to the Canadian Government, how would you assess the various factors involved, and what advice would you give with regard in the Caribbean? I notice you have already mentioned that we should probably turn the West Indies trade agreement into an aid program, and that we should think about a Canada development corporation. I wonder if you would, in that context, care to develop these two points a little further?

Professor Doxey: I hope that I would not get myself in the position where I was trying to talk from two briefs—because I might be retained by CIDA on the one hand and trade people on the other. I would think this is one of the most difficult challenges, to try and bridge our need for obvious trade promotion development and our commercial interests and our growing desire to assist the developing countries of the world.

There is a certain amount of conflict there. It is clear that where we stand most secure in our exports to the West Indies is in commodities which are now being threatened by import substitutions in the islands.

We would not stand much to gain, for instance, in the case of many of these commodities, if there were absolute free trade between the two areas. But we do stand a lot to lose from import restrictions.

I think we have to face this inevitability. I think that I would advise government, in these circumstances, to attempt to pressure the private sector to look at the new opportunities that are opening in the Caribbean. Once they begin to diversify—which is taking place, following on the CARIFTA, they will

begin to look for new imports, starting of course with machinery.

One reason why the Commonwealth Caribbean trade pattern is changing is that many of the new industries are American subsidiaries and, because of the tax holiday benefits usually offered to new industries, it is possible for a new industry to obtain its needs in any part of the world and of course usually it is the most convenient for those industries to turn to the United States.

If you look, for instance, at the import statistics of Jamaica, you will find that increasingly more Jamaicans are importing raw materials and machinery, from the United States. This is not the end of the picture. You will now find that there is a market for semi-processed raw materials in the area. Poultry feed, for instance, became quite a big export item of Canada's to the Caribbean. Now, import substitution is beginning to force our poultry feed out of the area.

On the other hand, the Caribbean cannot produce the ingredients of poultry feed, but we can, so we can enter into this type of market.

In the same way, as the income standards rise in the Caribbean, people turn to more sophisticated foodstuffs.

Again, this is an area in which we should be exploiting, but we do not always do that. We have relied for years, for instance, on our traditional cod fish, salted fish, markets, but we have allowed others to enter into the more luxury fish market, the Danes and the British, and increasingly the sophisticated West Indians will be purchasing this type of product.

This is going to increase with CARIFTA. CARIFTA at present has a protocol which lists items which can be produced in the area and, unless the area is in deficit in any given item, there will be a complete import embargo on these products. The most important to Canada, of course, is pork products. There is also a variety of vegetables which we will find excluded—onions and kidney beans are examples and progressively this list will grow, hopefully, as CARIFTA becomes more successful.

Senator Carter: Thank you. I would like to pursue the idea of the development bank, the development corporation. We have in Canada now an Industrial Development Bank which is a branch of the Bank of Canada. Do you think that we could extend that sort of machinery to the Caribbean area or would it be better to have a Crown corporation? We are talking, also, in Canada in terms of a development corporation for Canada, too.

Professor Doxey: I think that because of the external nature of the operation and the problems that will impinge on relationships with governments in the

area, it would probably be easier to think in terms of a publicly owned corporation, which is geared solely to operations abroad. This might also overcome problems which might arise over legal difficulties, in these countries.

From the limited experience which I have had of the operations of the British Commonwealth Development Corporation, which was formerly called the Colonial Development Corporation, founded shortly after World War II, they seemed to have not encountered difficulties on the governmental level and their operations, on the whole, seemed to be relatively successful, largely, I think, because of the degree of local participation in the private sector. This is what people want. Gradually, of course, in many cases, the CDC has sold its equity in an enterprise, once that enterprise has been proved viable—and often has sold it at a profit to itself.

Senator Carter: Do you envisage this corporation going into partnership with private enterprise in the Caribbean and, once the industry becomes economically viable, they would sell out the whole interest and start on something else?

Professor Doxey: So that you can have a situation like that in which funds are returned to the corporation and used elsewhere.

Senator Carter: I was most interested in your reference to the sugar industry, and when you questioned the wisdom of perpetuating this industry in its present uneconomic state and thereby perpetuating the problems which go with it. This morning, you elaborated on that more fully.

As I was listening to you, I could not help but see the analogy with the salt cod industry in my own province, which is an uneconomic industry. I suppose it has survived only because it has been subsidized indirectly in various ways, but even with the subsidy it has never provided anything but the barest existence for the people engaged in it. But, when you come to grapple with this, you are up against the problem that you have some 20,000 people involved and some 100,000 people dependent upon it, which is one-fifth of the population, and political implications are such that it is very hard to really come to grips and do the surgery that has to be done on this industry to get it back into a viable state. I was just wondering if you would be up against the same political problems in the Caribbean and whether these political problems are such that it is going to be very difficult for an government to take the steps required?

Professor Doxey: You are quite right. I think the analogy between your island and the Caribbean island is very real. Sugar is of vital significance in the entire commonwealth Caribbean. It has helped to mould, i

a sense, the character of the peoples; it has moulded the character of the economies; and, of course, it has produced many of the politicians in the area who hold power today, and, in some cases, their resistance to change and diversification may well stem from the fact that their political position may be threatened. In many cases there is an established elite, a plantocracy, who are dependent on sugar for their position, and they have a real fear that diversification will produce new elites which will challenge their position.

So, clearly, there are a number of built-in factors which will prevent change taking place; the most important from our point of view and in trying to develop the region is the fact that sugar does offer, no matter how tenuously, a living to a large proportion of the population.

But let me remind you that a trend away from sugar has been slowly taking place throughout the region. The Windward Islands were almost totally dependent on sugar not many years ago; in the ensuing period they have switched to bananas and are becoming rapidly the most significant banana producer in the area. They are rapidly filling their quotas in the United Kingdom market and are beginning to think of the prospects of entering the Canadian market.

I would see sugar as being slowly phased out largely because one does not want to bring about unemployment. But, clearly, there is a need for phasing out sugar as new industries prepare to take their place. And this may be in one, two or three decades. I imagine that there will still be sugar in the West Indies for many, many years to come, but not an industry upon which the Caribbean is totally dependent.

Senator Carter: I gather from what you said earlier that as the sugar industry is phased out you see it being replaced by different forms of agriculture—the growing of tomatoes and produce of that kind which would have a good export market in Canada as well as supplying local needs. In developing that transition will there be much retraining required, much re-education? What I am getting at is that the people today are oriented to sugar. What is involved in re-orienting them to these other industries? Is that going to be a difficult job? Should Canada be helping? Should we be sending farmers down there to show them how to do that sort of thing?

Professor Doxey: Yes, it would not be easy. For one thing, the agricultural expertise and agricultural technologists are all oriented towards sugar, even in the areas where sugar is being produced very well indeed. In other areas where production is based on peasant production, the peasants will have very little knowledge of any other type of agriculture. I would agree that you would certainly have to have a great deal of retraining and re-education, and, of course, an intro-

duction of marketing expertise and so on. Now, this has been done with respect to bananas. The Van Geests revolutionized the Windwards in a matter of relatively short time. They retrained the peasants to produce bananas instead of sugar, and they are doing it extremely successfully. In Barbados at the moment the British Commonwealth Development Corporation has entered into a partnership with a local group to set up a 60-acre experimental farm with the object of feeling out areas in which new products can be produced for export to the British market. This ranges from fresh flowers to different types of vegetables which are fairly high-priced on the British market. It is a small operation but could well prove to be the beginnings of a much bigger form of agriculture.

Senator Thorvaldson: Are citrus fruits indigenous to the areas?

Professor Doxey: Yes.

Senator Thorvaldson: Can they be grown there?

Professor Doxey: Yes, they can be grown there, but at the moment the production is very haphazard and marketing arrangements are very bad. In Guyana, for instance, every year a considerable part of the production, I understand, is dumped for lack of proper marketing and distribution arrangements.

Senator Thorvaldson: I was thinking of the enormous amounts of citrus fruits that we in Canada import from Florida and California and I wondered, if they can be grown in the Caribbean, just why we do not import them from those islands instead. Is it a matter of freight rates?

Professor Doxey: It is largely a matter of the absence of proper freight transportation and inadequate marketing and distribution arrangements.

I do believe that, if there were an organized attempt to rationalize the citrus industry, as has happened with bananas, it would be possible to supply quite a large part of our needs.

You know, a great deal of the West Indian agriculture is dependent on historical factors. To give you one example, there is very little shortage of limes throughout the islands; this largely stems from the fact that years ago the old British colonial administrations encouraged the planting of limes for the British navy. Limes were issued to navy men to counteract scurvy. So you have there an industry which has continued, although not as an organized industry, and the West Indian limes, I think, are comparable to the best available from the United States and elsewhere.

Senator Carter: In Canada, growers of tomatoes and other vegetables have found it necessary to develop

co-operatives. The same thing holds true in my own province with respect to the fishing industry—salmon and lobsters. Would it be very difficult to develop co-operative marketing in the Caribbean? Would that require very much change in the present system? Would it be a long-term development?

Professor Doxey: I think there is a certain amount of it already taking place in some regions. I would say that probably, depending on which island one is operating on, it could be introduced.

Senator Carter: Do you think it would be necessary, though?

Professor Doxey: It would not be necessary to bring about reform. I think it might help, but I do not think it would be an essential prerequisite for the reforming of agriculture.

Senator Carter: You have dealt with the question of tourism rather fully, so I shall pass over the questions I was going to ask about that except for one. I was interested to see the difference in your opinions, apparently, and the emphasis you put on it compared with the somewhat less enthusiasm on the part of other witnesses who were before us with respect to the tourist industry. I was interested in the form of aid that you have outlined in your appendix, and while I can see that we should be helping in education, transportation and port facilities and even, I suppose, although I have a question mark about this, providing water supplies because that might be a legitimate field, but when you come down to bridges and harbour boats and pilot boats and things like that, it seems to me to be a misguided form of aid because our last witness, Mr. McLeod, told us that there may be a possibility of a shipbuilding industry for small boats. Surely if there is a potential for that, that is where our aid should be going rather than providing boats for them which they can provide for themselves at a much lower cost.

Professor Doxey: I think a lot has already been written about certain aspects of the aid given by donor countries, and this does not refer to ours alone. As you are probably aware most donor countries attempt to spend the greater part of their aid in their own countries. Now some critics of the policies of the developed nations suggest that aid programs are often disguised forms of overseas trade promotion. The danger arising from this is that you may well be supplying a boat to an island in the Caribbean or somewhere else which could be bought locally at a considerably lower cost than from a Canadian source of production. This, of course, has an added disadvantage in that it does not encourage local production. I think this is a valid criticism in many instances, although we are trying as far as possible to avoid this in the disbursement of funds of this sort.

The Chairman: Are there any supplementary questions? If not, I have received notification from Senator Grosart and then I will recognize Senator Rattenbury.

Senator Martin: I would like to ask a question about the Overseas Development Corporation. Would this be a publicly owned corporation?

Professor Doxey: Yes. In thinking about it at first I explored the possibility of a private development corporation in which Canadian parties who might be interested in an area would participate, but I felt that this might lead to difficulties in the foreign relations field and to legal problems which would be difficult to overcome. In addition, I felt that we might not be overcoming the main objections to private investment in these areas and that is that foreign private interests were taking over the economy and this would be nothing more than a disguised form of penetration by the private sector of Canada into the West Indies. I felt that if we were talking in terms of a public corporation it would lose this stigma. In addition, you would not have the same problem with a publicly owned corporation as you would have if you tried to persuade a private corporation which has an investment say, in Barbados yielding 25 per cent per year to liquidate its assets. This problem would not arise if you had a Crown Corporation there and it was written into the law governing the corporation.

Senator Martin: Would you support this proposal as well as the Commonwealth Caribbean Bank?

Professor Doxey: Yes, because the two would complement each other. The bank would be largely operating in the public sector but in addition to assisting the development of infrastructure, it would also engage in feasibility studies. It may well be that the enterprises of the Canadian Overseas Development Corporation would thus be those already studied by the Caribbean Development Bank.

Senator Thorvaldson: There is a supplementary question which is of tremendous importance arising out of Senator Carter's questioning. That is with respect to the tourist industry. I was comparing your remarks with the remarks made two weeks ago by Mr. Demas. I was rather amazed when he inferred at least that the tourist industry was not good for the country because in the first place food and everything had to be imported and the country itself did not provide anything but the labour force. He made another point which was of great significance and that was that none of it was owned by local capital. That is a very serious situation. Taking Florida, for instance, we know the local capital certainly owns the facilities for the tourist industry there and the same applies to California. Is there any way we can bridge that gap because I would

hope the local people should have a big interest in that industry. Is there any way to help that situation?

Professor Doxey: As I said before, I think that the Overseas Development Corporation could do a great deal in this respect. I would not entirely agree that the entire tourist industry in the Caribbean was in the hands of foreigners. There are a great many West Indians participating, but the problem arises when you examine the reasons why domestic interests do not own their own tourist industry. With a hotel, and by that I mean a facility which provides at least 100 bedrooms, you are involved in an enterprise which is extremely difficult to operate and is extremely risky. When we talk about foreign investments in hotels we overlook the very important factor that many of these sometimes operate from five to ten years at a deficit, and they are supported by hotel chains elsewhere. This plays a very important part in the balance of payments sector for a small island. Each year remittances are coming from abroad to support an industry which is not profitable. Of course in the long term the profits are immense but in the first few years because of teething troubles and problems arising from inadequate infrastructure the situation is very difficult. I could cite an example where a government has entered into this type of operation itself and has found the costs of running the operation staggering. But I do think the local small guest house owner and the small hotel owner would nevertheless welcome an opportunity to participate in a bigger operation of the type that could be supported by this Overseas Development Corporation where, let us say, 50 per cent of the capital is provided by the corporation and 50 per cent by local interests.

Senator Grosart: I would like to pin down if I could a statement which we hear from time to time about the U. K. withdrawal from the Commonwealth Caribbean. You gave us a few figures and others have given us certain figures, but we have not yet had comprehensive figures. Can you tell me what at the moment is the total public funding of the Caribbean Commonwealth by the United Kingdom? You have a figure of \$2.5 million pounds for 1945 to 1967 and a figure of \$25 million for the dependent and associated states. Is that annually?

Professor Doxey: That latter would be for next year.

Senator Grosart: That is an annual figure. What is EC?

Professor Doxey: That is Eastern Caribbean dollars; it would be about 14 million Canadian.

Senator Grosart: What is the present total? There is CDWA and development grants.

Professor Doxey: I would have to say that I could not answer that question because of the difficulty of sorting out the British commitments. I perhaps should say a word in preface on the type of situation that now exists in this area. You have, of course, Jamaica, Trinidad, Guyana and Barbados being completely independent states. In addition to that, you then have the so-called associated states, and you have one of the eastern Caribbean states, Montserrat, still a colony of Britain. Then you have the Virgins, to the north, if we include them in the Commonwealth Caribbean, who are still completely dependent.

Senator Grosart: The Caymans.

Professor Doxey: Yes, the Caymans, and the Bahamas in a rather twilight position at the moment.

This means that Britain's aid is really taking several forms: the usual bilateral aid to a developing country—this would go to the larger territories; and the other, multilateral aid through various organizations—and I understand the British are contributing funds indirectly, through the Alliance for Progress. In addition, you have your normal budgetary support, as in the case of semi-independent territories. What happens is that the British government allocates funds for the support of the budget, so that if the budgets do not balance the British government will attempt to match them. In addition, the British are providing a variety of technical services; and they have one advantage over us that they do have a substantial development office based in Barbados. The present staffing is about 15, and in the last few weeks both the minister and the permanent head of the Ministry of Overseas Development have visited Barbados for prolonged discussions.

There are other operations which could be classified under aid—the British Council, various links with the university in Barbados, and the operations of the Centre for Multiracial Studies, partly financed by the British government, and the University of Sussex, together with various scholarship sources.

I would say in answer to the original question—and, of course, I can not speak for the British government—that the impression I get is that they are certainly not withdrawing. They are trying to tighten up and, for instance, in the case of budgetary aid they are trying to prevent this becoming an open-ended operation and are trying to suggest to governments that they operate on a five-year formula. They seem to be very much committed to the Report of the Tripartite Economic Survey and, along with us, are trying to carry this out. There is very little American support in this regard. The original report was tripartite, and it has been the British and Canadians who have carried the recommendations out.

Senator Grosart: But, of course, this does not answer my question—Where can we get the figures?—because it is obviously important to this committee that we be able to compare these figures with the level of Canadian aid which we know, for which we have the figures. Surely, the United Kingdom figures must be available and must be important. Where can we get them?

Professor Doxey: The figure I have given you in my paragraph 13, of \$25 million Eastern Caribbean, is the actual British expected expenditure in direct aid in 1969-70. This is what has been allocated for that year.

As I say, I am not in a position to speak for the British government, but I imagine a representative of the British government would point out, in addition to that, you have these other figures which are difficult to compute from time to time. But, in drawing comparisons, that \$25 million Eastern Caribbean would compare with the sort of direct aid that we give, as shown in the figures I have given in the appendices of Canadian aid, which is increasing at a far greater rate than British aid. This is the second factor we must bear in mind, that we are beginning to take on the greater part of the responsibilities in the area.

Senator Grosart: Our total aid, bilateral aid, to the whole Caribbean is \$22 million. You told us the British will spend next year \$25 million BWI dollars, in the Caribbean, in a very small part of the area. Surely, these figures must be available somewhere? As an economist, could you tell us where we could get them?

Professor Doxey: I think the United Kingdom Information Services in Ottawa might be able to give you some more concrete figures on that.

Senator Grosart: Mr. Chairman, I suggest we get them, because it is very interesting that Professor Doxey seems to contradict statements we have had from two other economists that the British are withdrawing.

The Chairman: I am aware of this fact, and I am pleased that you have raised it again this week, as you did last week when we had Dr. McLeod here. We will endeavour to obtain these figures for you and for the benefit of the committee.

I would like to carry on with your line of questioning and ask Professor Doxey: What was the level of British aid five years ago, relatively speaking? You say it is at a reasonable constant and even, but it is in this somewhat isolated area.

Professor Doxey: It is a difficult question to answer because how do you compute aid to a dependent territory?

Senator Grosart: The OECD does it.

Professor Doxey: Yes, but I have always been loathe to do it because, remember, a great deal of administrative responsibilities at that time were handled by the Colonial Office. Officials in the area were supplied by the Colonial Office, but that has now been withdrawn, and the local governments have to find the people and the funds. Certainly, part would come through budgetary support, but more often than not the problems are immense, not simply in finding the funds but also all the expertise. It is a very difficult thing to really analyze the extent of a colonial power's aid to its dependencies. This is a personal reflection, but I think a great deal of injustice has been done to many of the colonial powers of the past. It may well be that one could criticize the way aid was used, but a lot was done and a lot of infrastructure was created in these areas. For instance, in Barbados, which is a privileged community where today there is virtually no illiteracy, this is a situation that developed over a hundred years ago, where a large part of the revenue and budget support was put into this very purpose long before people talked about the need for educating people in the colonies, with the result that today you have a highly stabilized society; and if you look at the recent classic by Gunnar Myrdal, the three-volume *Asian Drama*, you will see that he has stressed that one of the most important ingredients in the economic development of the developing world is education and expenditure on education.

Senator Thorvaldson: Does the United States supply much or any aid in those particular areas that you are talking about?

Professor Doxey: They do supply limited aid in various forms. Those who join OAS are getting certain American funds in that way. Guyana has specifically had certain American funds allocated in recent years. The Peace Corps operates in the area, so there is a fair amount of United States funds coming either directly or indirectly into the educational field, and certain specific projects have been financed by American funds, but not on any appreciable scale.

The Chairman: If I may stay with Senator Grosart's question for one quick remark, I would like to say that I accept, and I think the committee does, the difficulties that are involved in amassing a specific reply to Senator Grosart's question. The reason for my taking you back five years was to look for a trend. I do not think we are interested in the last dollar and cent, and, of course, it is difficult to measure educational and other intangibles, but what we in this committee are interested in is the trend of British involvement in the Caribbean area, and I think this is what we would like to go into further. I

suppose that this is an area in which we must find our own answers.

Senator Grosart: They are all transfers of funds, and therefore they are all budget items.

Senator Thorvaldson: I agree with Professor Doxey, and the place at which to start getting that information is the British Information Service right here in Ottawa. I would think that they would have accurate information on that point.

Senator Martin: I have a supplementary question, Mr. Chairman. While we ought to pursue Senator Grosart's question I think this very excellent statement we have heard this morning does show that the British participation in the External Aid program in the Caribbean is now being reduced. That is a fact, is it not?

Professor Doxey: Yes.

Senator Martin: There is your trend, Mr. Chairman. This is a matter now of British policy.

Senator Grosart: What is the difference between the reduction of aid and the withdrawal of aid?

Professor Doxey: I think the mere fact that the type of aid that I spoke about that went to dependencies has disappeared. That is one indication of this. The other is that British foreign aid right across the world is being reduced, and it is Britain's financial situation that is conditioning this. But, I think there is a great difference between what we might describe as a reduction of aid and an actual withdrawal of aid.

If you are asking whether Britain is ceasing to offer any aid to the Caribbean, I would have to say that the answer is: No. The figures for 1967 show that, but the extent of aid is obviously decreasing. I imagine what we are doing is taking up the slack, as it were, with very little assistance from the Americans.

Senator Grosart: Withdrawal, of course, can be gradual. My second question, Professor Doxey, concerns the relationship of CARIFTA to the Eastern Caribbean Common Market. There seemed to be a contradiction in concept here. If the Eastern Caribbean Common Market develops, it is going to be a drag on the development of CARIFTA?

Professor Doxey: It could be. This is actually a historical accident. The original proposals for CARIFTA began to be formulated somewhere around 1956. This was going to be an association between Antigua, Guyana and, possibly, Barbados, and any other country that wanted to join. Very little was done from 1966 until the end of 1967 and

the beginning of 1968. Meanwhile, the small territories, encouraged by the Ottawa discussions and the post-Ottawa discussions began to create the regional development agency which the Tri-partite Economic Survey recommended. Alongside this they tried to organize this common market.

Now, neither have really reached the point where one can say they are operating on a very active basis. CARIFTA, on the other hand, shows signs of being a very much more lively animal, and I would think that realistic thinking in the area would, if the common market were seen as a threat, begin to advocate the dismantling of the common market, because the gains the smaller territories would have from a wider area might be greater. But, this is the risk that those people who looked to the Caribbean a few years ago feared mostly, that you would have territorial diversification before people began to think regionally. So, you might have fourteen countries coming along and demanding special treatment for industries which were hardly viable. There is an example of that in the oil refinery that is being built in Antigua.

Senator Grosart: That is the case I am thinking of. It would seem to indicate that the Eastern Caribbean Common Market is pretty lively, if they are restricting the importation of Trinidad oil into that area, and favouring the building of a refinery in Antigua.

Professor Doxey: I think this certainly could become a threat, but at the moment one hopes it will be worked out satisfactorily at some stage or other.

The Chairman: As a result of the Antigua refinery, what has happened to the price of gasoline in Antigua?

Professor Doxey: I understand it has gone up.

Senator Grosart: Are there other examples in the Eastern Caribbean Common Market of restrictions on imports—intra-regional imports?

Professor Doxey: In certain cases they can raise restrictions. So far, I understand, this has not been a problem, but it is a point of discussion. The weaker territories feel that some of their industries might be driven out by the products of the stronger territories. The Eastern Caribbean, and possibly Barbados which has now a growing clothing industry, for instance, would be concerned about imports from Jamaica. There is a fear that one way by which a market may be broken into is by a lowering of standards, and because of a fear of this there is now a special group under CARIFTA studying the possibility of a regional standard of production. If a territory fell below that standard then another territory would be entitled to discriminate against it.

Senator Grosart: Would that include value added?

Professor Doxey: Yes.

Senator Grosart: Are there cases now of some cheating in this area of value added?

Professor Doxey: I would hate to comment on that, because the only reports one gets are those in the newspapers, and more often than not they concern a special interest pleading its case. One does read this type of report, but I have no direct evidence of the occurrence of this sort of thing.

Senator Grosart: Do you see CARIFTA becoming eventually viable if it fails to become a Common Market?

Professor Doxey: I would hope it would inevitably lead to an integration of policy-making and eventual economic union. I think the important thing for us to realize is that increasingly West Indians are becoming aware of the fact that it is very easy to drift aimlessly into a free trade area in the belief that this will lead to something more. I think they are beginning to think beyond the free trade area, but I hope that they do not think of moving beyond that direction too quickly because the problems of getting a free trade area operating are so immense that it will be a decade before they reach the stage of being able to talk in terms of economic union. But, the important thing is that for the first time, certainly in contrast to the previous federation, people at all levels are not simply talking but are having to work with the problems of co-operation—problems which you have raised, for instance—and they are having to find solutions. I think this is a very good exercise.

Senator Grosart: What entity is operating *The Palm* and *The Maple*, the two ships we provided the federation at a cost of \$6 million?

Professor Doxey: There is a special regional shipping committee that has been working these ships, and I think there have been discussions as to whether this should fall under CARIFTA, at some stage, or under some special agency of CARIFTA. You know, there has been the suggestion made, particularly by Guyana, that a third ship be added to the fleet to encourage this. On the other hand, there are those who criticize the fleet as being uneconomic, who think it would be best to scrap it. That is one view. You have views on both sides; you have those who feel this could be expanded to become a really effective regional carrier and those who feel that a substitute could be found.

Senator Grosart: What is the deficit on the operation of these two ships, and who is paying it?

Professor Doxey: I am not sure of the exact figure, but the governments of the region are supposed to

contribute to the deficit of the operation, all the participating countries.

Senator Grosart: Is it a substantial deficit, do you know?

Professor Doxey: Not too substantial. I hate to quote a figure if I cannot remember the exact figure, but I seem to recall that it is a modest sum.

Senator Grosart: At one time it was the subject of a great deal of criticism down there, that Canada supplied the federation, as it then was, with two ships and the federation had to find the money to pay the deficit. That is not a serious criticism now, I take it?

Professor Doxey: I think the principal criticism seems to arise out of the technical nature of the ships. These ships are getting old. Many people feel there may be newer and more effective methods of transportation in the Caribbean. For instance, the container ship may be the answer to many of the problems of the Caribbean. Container ships could collect small cargo through containers and remove them across the area. These people are also talking in terms of the possibility of some form of hydrofoil operation from territory to territory. However, I am not technically competent enough to comment on the feasibility of these, but this type of discussion is taking place.

Senator Grosart: Do you know if anything is being done at the moment in the way of studies or action taken to provide a practical transportation link between the Commonwealth Caribbean and Canada?

Professor Doxey: As you know, an arrangement has been entered into between Air Canada and Air Jamaica . . .

Senator Grosart: I am speaking of sea transportation.

Professor Doxey: I understand that certain commercial interests are at the moment examining this possibility. I have been told that one thing they have been looking at very carefully is the possibilities of the container ship industry. The type of operation they are thinking of in the Eastern Caribbean, for instance, is to use Barbados as a base for ocean-going container ships, which would pick containers sent from the smaller islands. This would overcome the problem of the ship calling in at all the smaller islands; the containers are gathered in Barbados and placed on to the ship.

In talking about transportation one has the extraordinary dilemma: which came first, the chicken or the egg? If you ask shipping interests why they are not providing a better service between the Caribbean and Canada they will say that there are no goods to

transport. On the other hand, if you ask people in the Caribbean why they are not exploring the Canadian market they will say that there is no transportation. It is a very difficult problem to reconcile. Where does one start?

Senator Thorvaldson: I think there is a complete *Jansard* report on this whole problem, made a few years ago in this committee when we were studying certain aspects of the Commonwealth. I will try to provide you with that.

Senator Grosart: Would you regard providing this sea link as perhaps one of the most important contributions Canada might make?

Professor Doxey: I would say that if we were going to talk in terms of the type of trading arrangements I have in mind, then obviously both air and sea links will have to be developed far beyond what they are today. I stress air as well because the possibility of air freight making many of the commodities is very real. I will give one example. In the banana industry in the Windwards, certain interests are exploring this possibility at the moment, I understand.

Senator Thorvaldson: This was the sort of thing I had in mind when I referred to citrus fruits and ocean freight being cheap. It occurred to me that using ocean freight might be one way of being able to compete with California.

Professor Doxey: If I can elaborate, I understand it is far cheaper to take a container ship to the American seaboard and ship the commodity by rail—and I am assured of this by transportation experts—than taking it up through Halifax. There one runs into the problem of port of origin.

Senator Grosart: What is that port of origin problem in terms of the Canadian preferential tariff?

Professor Doxey: It has to enter Canada by a Canadian port. If it enters Canada via the United States they run into difficulties as regards the preferential tariff.

Senator Grosart: You say they run into difficulties. There is no tariff if it does not come through a Canadian port you mean?

Professor Doxey: Yes.

Senator Grosart: I have asked this final question of other witnesses. Is anything being done by CARIFTA to set up a marketing agency for the Caribbean?

Professor Doxey: There are groups involving people at the official level, in the private sector and from

universities to study this problem. It is one of the problems being studied at the moment.

Senator Grosart: Is there any survey of the potential of these specialty market items such as you mentioned, like limes? Is any study being made of the total economy of the Commonwealth Caribbean to pinpoint those items?

Professor Doxey: The most significant studies have been done at the University of the West Indies on economic integration. Several of these have looked at certain specific industries, bauxite being one and the banana industry another. In addition to that there have been various privately sponsored studies. For instance, the A.D. Little Corporation made a study in Barbados a few years ago and examined certain possibilities, and I understand that some of these have been carried out. Quite a number of studies have taken place to examine possibilities of one sort and another, but none have resulted in significant changes of any sort.

Senator Grosart: This being the day after St. Patrick's Day, I am thinking in terms of the Irish survey and the tremendous results achieved. In Canada today there are scores of Irish products in specialty shops that were developed as the result of a study and the development of a marketing agency. Surely something like this should be done in the Caribbean.

Professor Doxey: This again is one of the areas in which aid can be usefully expended. Quite a lot of our aid does go towards providing this type of study. There is at the moment, under the auspices of CEDA, a study of the potential of St. Lucia. This began as a feasibility study of the new airport facilities and the possibilities for tourist development. At the request of the St. Lucia government, Canada has supplied a highly competent economist to look at the entire economy of the island and at the prospects for development. I think this is going to be a very significant contribution. Admittedly it is just one island, but it is a contribution nevertheless.

Senator Grosart: I am thinking in terms of the new creation of a demand for available products. For example, the substitution and use of lemon juice for lime juice, will have a tremendous impact on the economy serving the islands. This is not being done systematically at the moment.

Professor Doxey: No, and I would agree with you that this is one area where there is a tremendous need for this type of study. Economists may well say that tomatoes and oranges can be grown, but it requires the expertise of marketing and the developing of links with chain organizations in Canada and the understanding of the supermarket operation. This is some-

thing West Indians can only do themselves with help from others, but it cannot be found in a package.

The Chairman: Senator Rattenbury?

Senator Rattenbury: My question has been answered, Mr. Chairman.

Senator Fergusson: I would like to ask Professor Doxey something about the University of the West Indies. I am sure he is very familiar with it. Has the residence been completed, to which we contributed, I believe, \$475,000?

Professor Doxey: The Trinidad one has been.

Senator Fergusson: I am thinking of the one in Barbados. I thought that was where you were.

Professor Doxey: Yes. I am very glad you raised that question. I would also like to make one or two general comments as well.

Senator Fergusson: I have a lot of questions that I want to ask about the university and perhaps the information I want will come out in your answers.

Professor Doxey: We have contributed to a number of operations on the Barbados campus. One of the most successful has been the building of a senior and junior common room for both the students and faculty. This is being used very extensively. The residences that you refer to I understand will be started in the fall.

Senator Fergusson: What are they doing now before the residences are completed?

Professor Doxey: Students from the other islands are housed privately. There seems to be no problem about this type of housing, though of course, one would prefer them to be on the campus. As far as the university is concerned generally, I think this has been one of the most fruitful areas of support by ourselves. It is, as you are aware, the only really viable regional body in the whole area and it has produced, among West Indians, a remarkable spirit of co-operation. As far as the majority of the faculty is concerned, there have been some very good people there. I would say that it is a university of international standing. It is dedicated to the West Indies and they are able to submerge their individual nationalities.

I think one of the things we must be considering very seriously is the possibility of supporting the recurrent budgets and not simply of capital support to the university, so as to counterbalance the pressures towards disintegration of this university. I think it would be a great tragedy for the region as

well as the rest of the world, if the University of the West Indies were allowed to disappear, for a university is a very difficult entity to create. Sometimes our students overlook this. Here a university, in a remarkably short time, has acquired a reputation which it can be proud of and it is producing first rate people. From our point of view it is also useful in other directions. The more students you can send to the University of the West Indies the more you will insure their continuing participation in the area. I think one of the tragedies is that so many good West Indians study abroad and remain abroad. There is an understandable temptation when you realize they are offered salaries three or four times larger than would be offered to them in their own area. This brain drain is far more serious to this area than to Canada or the United States. It is very important that we try and prevent it.

Senator Fergusson: If you have them educated at that university it is more likely that they will stay at home than if they had foreign opportunities. You say the university has international standing. What degrees do they grant?

Professor Doxey: They were originally affiliated, as most colonial universities were, with the University of London. At that time they awarded external degrees of the University of London. They have since become independent of the University of London and now award their own degrees.

A graduate of the University of the West Indies is a graduate of the University of the West Indies and not London. They still have an affiliation with London and other universities, but not in any way formal and there is no control from the outside.

Senator Fergusson: What I believe I meant—I have forgotten the expression.

Professor Doxey: Disciplines.

Senator Fergusson: What are the disciplines?

Professor Doxey: Pretty well everything at the moment with the exception of law. The law faculty is expected to be set up in the very near future. They have a first rate medical faculty in Jamaica and a very good teaching hospital there. They also use the facilities of other hospitals across the islands. There is a first rate agriculture sector in Trinidad and the usual arts and science faculties throughout the area. The idea is to try and strengthen each of these three campuses by having an important professional school. One suggestion is that the law school should be in Barbados.

Senator Fergusson: Is it co-educational?

Professor Doxey: Oh, yes.

Senator Fergusson: What proportion of the students would be female?

Professor Doxey: In Barbados I would say roughly between 25 and 30 per cent. I will add that I am delighted, as an economist, to find for the first time of my career at least a quarter of my students are female. Everywhere else in the world girls seem to be frightened of economics.

Senator Fergusson: Are they having any difficulty in the Barbados campus in regard to the student power and the difficulties that are arising in some of our universities?

Professor Doxey: I do not think the university would be a university if we did not have something of this sort. So far it is relegated to dialogue, discussions and interested meetings. Some Barbadians get upset when a visitor is criticized at a meeting. My attitude is that this is the essence of a university and if you come to speak to a university group you must expect that. There is certainly no violence. There is a healthy discussion.

Senator Fergusson: No violence against the administration?

Professor Doxey: No.

Senator Fergusson: I do not want to ask so many questions, but I find this a very interesting field. There is one thing I would like to ask. Is there any technical education going on?

Professor Doxey: This is an area in which the whole of the Commonwealth Caribbean has been sadly in deficit in the past. In recent years there have been strong moves to try and set up technical schools. We have contributed quite considerably in the eastern Caribbean to the staffing and furnishing of these schools. Nevertheless, the technical side is still neglected and hopefully one can see changes taking place. The same applies to commercial education and business schools. Such education has not yet reached a level where one can feel satisfied.

Senator Fergusson: Thank you.

Senator Grosart: Are your labour unions sympathetic with the development of vocational and technical schools?

Professor Doxey: Labour unions are very strong. I have not encountered any objections in Barbados. For instance, the Barbados Workers Union, which is a powerful union, co-operates as much as possible with the universities and other teaching bodies to try and offer their work in special types of training. I do not think in principle that they have objected. One has not seen any signs.

Senator Grosart: There have at times been clashes between the apprenticeship principle and more or less the scholastic type of preparation.

Professor Doxey: Yes, and the unions have very strong views on a lot of these issues.

Senator Martin: I wonder if Professor Doxey—I found it very interesting—would care to say something about his views as to the future relations between Canada and the territories in the Commonwealth Caribbean that do not now enjoy full self-governing status.

Professor Doxey: Do you mean political associations?

Senator Martin: How do you see these relations developing in the future?

Professor Doxey: If I can give a personal view on this, I think that we in Canada are facing a situation where we have to make certain choices, and I am not referring to specific choices in our foreign policy, but in a sense, our desire to be the blushing bride of the international scene.

I think a lot of people were shocked, for instance, by the fact that in Trinidad certain students demonstrated against our Governor General. I think this is part of the process of becoming a great power. I think we will have to adjust to this. I think we will find in the Caribbean that our popularity is going to grow less. In a sense, at the moment we are loved by everybody. One reason for this is that we are not really participating in the Caribbean. I think a great many people in the Caribbean however feel that we should do so, some because they feel others will do it if we do not. So I would say, without our getting into a situation where we become an imperial power—I would hate to think that Canada, for instance, is in the adolescence of becoming an imperial power—I think we could use persuasion, and I think we should certainly think in terms of whether we are committing aid, sometimes, to governments which we might have to question. I am not suggesting that any governments in the Caribbean at the present moment fall into that category. One might, however, have to consider this situation, and not fall into the temptation which the Americans have so often fallen into, that we prop up a government which, for both internal and external reasons, should have long ago been allowed to collapse.

There is a danger that aid is consequently simply given for no reason except that the head of state approaches Ottawa and asks for it.

I think that in talking in terms of the one per cent of our GDP, and we will have to take into account many more factors than simply disbursing aid. I

think we are bound to get into the political scene, and I think that, if we are talking about the Caribbean, the former powers that were interested in the Caribbean would welcome our participation.

The Americans, while realizing that, if there were a vacuum in the Commonwealth Caribbean, they would have to fill it, would prefer ourselves there—and I think the Commonwealth Caribbean would prefer us, as well.

Senator Martin: May I be a little more precise in my interrogation? My question was confined to those territories that are not now self-governing, and the question generally was, how do you see the development of Canadian relations with those territories? Do you see these territories acquiring sovereign rights in the sense that they are possessed by the Barbados, Tobago and Jamaica? Or do you see some other proposal for some political organization as between them? Then, how do you see their relations developing with the other Commonwealth Caribbean sovereign states and Canada?

Professor Doxey: I suppose that it is difficult in this day and age to define what exactly qualifies one for sovereignty.

Senator Martin: Sovereignty in the sense that Canada is sovereign and the United States is sovereign.

Professor Doxey: Then the answer is "no", because in the sense of their being totally economically viable at the moment, I do not see that any of these countries could regard themselves as sovereign.

On the other hand, we have this rather peculiar situation in Anguilla, which does, I think, believe it is sovereign, yet with no resources whatsoever.

I think one would hope that the CARIFTA experiment would bring these territories closer to the richer territories—and I need not remind you that one of the main fears that countries like Jamaica and Trinidad always had of federation, was that they would inherit the responsibilities of those areas, and I think this fear still exists.

I have always felt that one good argument for Canadian aid, economic aid, to be concentrated in the eastern Caribbean, was to try and hasten the point where one could say they were economically viable and then one would lessen this objection of the more wealthy islands to sharing in some sort of responsibility with them.

However, there are all sorts of difficulties when one talks about this, because one really cannot answer the question, as to whether they can become viable on their own, or how fast will they become viable through this common market arrangement

they have, or, if they join in with the rest of the islands, would they simply be held back because the other islands are in a much stronger position?

I do not feel that, as some politicians in the area have suggested, they should be included in the Canadian Confederation. I think there we would have very difficult problems to overcome.

The question of migration would be one which we must face up to. There is no good our trying to hedge about that. Many of the people in these islands have always believed that their surplus populations could migrate. Grenada, for instance, has more or less kept its population stable for 50 years, by Grenadians moving out to other parts. The bigger islands have reservations about this. Trinidad, for instance, does not want to see any of these smaller islanders moving to Trinidad. In contrast to many areas, in contrast to our Maritimes, the West Indian is a mobile being. We are not talking in terms of having to take industries to populations that will not move. I am convinced you could very well move out the bulk of the population of these islands, if we encouraged them to move out, and it might be cheaper—I am not suggesting that this is the answer—but it might be cheaper to do that.

Senator Grosart: What would be the response, amongst the associated and dependent states, to a suggestion of associate statehood with Canada?

Professor Doxey: Favourable, provided, I think, that the associated statehood was defined in some way in which it would be advantageous to them. I think a lot of them felt, when the British offered them associated statehood, that this was something similar to what the French worked out in the EEC, and in fact, this was not the case.

I do not think they would be looking simply for political association; they would want an association which would carry with it economic privileges and advantages to them.

Senator Grosart: If Canada were to match or exceed the present level of British financial support, would it be attractive?

Professor Doxey: Yes.

Senator Grosart: The offer of associate statehood?

Professor Doxey: A few years ago this would have certainly been the case. Certainly, when we were there in 1966, quite a number of prominent politicians put this view to me.

I would have reservations today, because of the euphoria, let us say, which has developed over CARIFTA. People are now beginning to believe, particularly in the eastern Caribbean, that this may be their salvation. Whether this proves to be right or not

is difficult to say. There is perhaps a little less enthusiasm about joining Canada—not for negative reasons, but because something else is on the horizon.

Senator Grosart: So it may be that we missed the boat but we can still catch the next one.

The Chairman: Are there any other questions?

Senator Grosart: If I may put one question more, Professor Doxey, could you estimate the discount factor in tied aid, to the Commonwealth Caribbean?

Professor Doxey: You mean, to what extent it is spent up here?

Senator Grosart: What is the discount on the actual value of the transfer in terms of international values?

Professor Doxey: It is a difficult one to compute. I have tried to look at various specific items. I think that where one runs into difficulties in trying to do this is that, if a country is receiving aid from several directions, the problem is exacerbated by the fact that, to give you one example, it may build up a transport system on the basis of German-American-Israeli components. The cost factor in holding spares and in trying to repair becomes immense. Where you can get the donor countries to agree among themselves that "A" will restrict himself to one type of aid and "B" to another type of aid, the extent of the problem is considerably lessened in this way.

If we are talking in terms of purchasing in the cheapest market, then we are faced with all sorts of problems. One hears all sorts of value judgments by people suggesting that they could have extended their aid 50 per cent in this direction or 25 per cent in another direction. I think there is a certain amount of exaggeration in this.

The Chairman: If I may, I will exercise the Chairman's prerogative and go back to ask you one question relating to Canadian and British comparative performance. Do you have an estimate of the capitalization of this Canadian Overseas Development Corporation and what the cash flow might be to the Commonwealth Caribbean?

Professor Doxey: No, I have not.

The Chairman: This would be a useful figure for us to have, particularly in the light of your views with respect to the Canadian Overseas Development Corporation.

Professor Doxey: The Commonwealth Caribbean bank feasibility study that was conducted on the area did try to make certain projections as to what was required in terms of what the needs of the is-

lands would be on an annual basis, allowing for what they called a deficit in funds that could be supplied there locally, and they talked in terms of U.S. \$5 million.

It is very difficult, however, to do this exercise for the private sector because one would hope that, if the corporation were a success, the demands for the resources would snowball. So one would have to have it as a relatively open operation, and you might want to have borrowing powers in order to support its operations. It would need a relatively small capital to start off with, but some of its operations might well be financed by bonds of one sort or another. The British have not attempted this, but this might be a novel way of doing the exercise.

Senator Rattenbury: Reverting to the private sector, how do the bank clearances compare? Is Barclay's still a dominant factor?

Professor Doxey: This is one of the closely guarded secrets.

Senator Rattenbury: That is why I am asking the question.

Professor Doxey: I occasionally do a private exercise of my own. The answer, probably, to that is, yes; although, you know, an interesting development has taken place in the last couple of years in the area which is worrying the old established banks, and that is the advent of American banks. The New York and California banks have entered the area and are competing very strongly.

Senator Rattenbury: Not too strongly as yet.

Professor Doxey: They have not made significant inroads, but they are trying all sorts of new approaches. But one will have to see what will happen. It is too soon to predict.

Senator Grosart: Is there a net inflow of capital to the Caribbean through the banks?

Professor Doxey: Oh, yes. The banks, of course, operate on a slightly different cash reserve basis than they would do in their home territories. All the banks operate through London, as you probably know. Their advances down there often will exceed what a bank in Canada might regard as a prudent level, simply because, in difficulties, they can call in cash from abroad.

One of the problems, which again I hope the Development Corporation may overcome, is the fact that far too many West Indian businessmen rely solely on the banks for capital of all forms, and they do this through overdrafts and loans. Partly because the banks have encouraged this you will find that long-term

capital is thus being financed by bank overdrafts. In a sense this is unhealthy for the businesses concerned, but it has been very profitable for the banks in the area.

Senator Rattenbury: It retains the business in the hands of a few, though.

Senator Fergusson: Professor Doxey, you mentioned that there was a clothing industry that might be increased, if our customs permitted entry. What sort of clothing is involved?

Professor Doxey: It is largely summer clothing by our standards, men's shirts and underwear. The Puerto Rican model is being used, and one is beginning to see indications of the Puerto Rican type of factories. Now that wage levels in Puerto Rico are no longer as advantageous as before for the factory owners to penetrate the U.S. market, they are setting up the foundation garment industry in some of the other islands.

Senator Rattenbury: It is purely an exploitation of labour.

Professor Doxey: Yes, and this brings down the cost considerably. This is the advantage they have.

Senator Rattenbury: None of the cloth is manufactured there.

Professor Doxey: No. It is finishing only.

The Chairman: May I ask a housekeeping question, Professor Doxey? Do you wish to have your background material made part of the transcript? If you do, we have to have a resolution.

Professor Doxey: Yes, thank you.

Senator Rattenbury: I so move.

The Chairman: Is it agreed?

Hon. Senators: Agreed.

(For text of background material see Appendix "A").

The Chairman: Thank you very much, Professor Doxey. It has been a most interesting and stimulating morning and I am sure I speak on behalf of everyone here when I extend our warmest thanks. The meeting is now terminated.

The committee adjourned.

APPENDIX "A"

TRADE OF THE COMMONWEALTH CARIBBEAN COUNTRIES WITH THE DEVELOPED COUNTRIES AND THE AID THEY RECEIVE

Background Paper by George V. Doxey

Present Patterns of Trade.

1. In spite of attempts to bring about a diversification of the individual economies of the region with the aim of reducing imports and enlarging the range of exports, the external trade and payments pattern remains typically colonial. Traditional staples still dominate the export trade and the ratio of exports to GDP remains high while the bulk of exports of most territories are made up of one or two staples which depend on preferential markets. Bauxite and alumina plus sugar and sugar products account for 76% of Jamaica's exports; petroleum and sugar and sugar products represent 90% of Trinidad's export trade; sugar and sugar products constitute 85% of Barbados' exports; over 90% of the exports of the Leeward and Windward Islands are made up of sugar, bananas, arrowroot, and cocoa.

2. Until recently imports were largely made up of manufactures for consumer use with Britain having the dominant share of the markets and Canada and the United States sharing the bulk of the remainder. Intra-regional trade, on the other hand, remains marginal, though this may now change rapidly under the impact of CARIFTA. In the case of Jamaica, for instance, in 1964 only 3.3% of exports went to, and 3.2% of imports came from the other parts of the Commonwealth Caribbean; in the same year 4.3% of Trinidad's exports and 2.0% of its imports were intra-regional.

3. Changes are however taking place and the close integration of the West Indies trade with markets and sources of supply in Britain has been giving way to a widening of the geographical spread of the area's commercial relations. Of the three principal countries trading with the region, the United States share has increased in recent years while those of Britain and Canada have declined and the other countries have improved their relative positions.¹ The links with Britain however remain strong because of the area countries' ties with sterling and their continuing dependence upon British markets for preferential sales of sugar and other commodities such as bananas; while the recent devaluation of sterling appears to

have resulted in a marked improvement in Britain's trading position in the area. It would be useful to consider briefly the trade of some of the territories in the region.

Antigua reflects fairly accurately the picture in the *Leeward and Windward Islands* where foreign trade remains essentially that of colonial dependencies exporting staples and importing manufactures. This situation is now changing with the development of the tourist industry and the building of a \$40 million (W.I.) oil refinery on the island. It can be expected that the island's trade figures will hence-forward reflect considerable imports of crude oil. This embryonic petroleum industry will be given an added impetus by the fact that the Eastern Caribbean Common Market—which has been set up in the Leeward and Windward Islands—has agreed to place heavy import duties on oil imported from Trinidad and elsewhere, while levying only a consumption tax on Antiguan oil. There is as yet little evidence of import substitution taking place to a significant degree. In fact, the tourist trade is encouraging the import of foodstuffs.

Barbados is witnessing a change in both the direction and the character of its import trade. Britain and Canada have lost portions of their market shares to the United States and other countries. Agricultural products are less important, while the development of local industry is leading to significant import substitution and increased exports of finished consumer goods.

In *Guyana* foodstuff imports remain important, but the Guyanese government is now making determined efforts to find import substitutes. Imports in the main are still from Britain, but the United States and other countries have made gains. Although there has been a steady increase in exports of bauxite and alumina, the over-all export figures dropped from \$35.6 million in 1964 to \$29.1 million in 1966. Again, this was due mainly to a considerable decrease in sugar sales.

Jamaica has witnessed the most significant changes in the structure of its trade, with less reliance now than in earlier years upon imported food, but increased demand for manufactures from abroad.

¹ See Table in Appendix one.

Trinidad's position has been affected by both increased industrialization and the development of the oil industry, which has lead to increased imports from many countries.

The Impact of Preferences

4. West Indian goods enter Britain under reciprocal Commonwealth preferential arrangements of which the most valuable is the negotiated prices paid for sugar under the Commonwealth Sugar Agreement. In 1968 the Commonwealth Caribbean producers were receiving £47.10 a ton for sugar in the British market compared with prevailing world price of £21. Likewise bananas enjoy preferences to the extent of £7.10 a long ton and are protected by a quota ceiling of 4,000 tons on imports from the dollar area.

5. The annual dollar gains from guaranteed prices are difficult to compute and in the case of sugar are influenced by fluctuations in the world prices. In 1968 a crude estimate for sugar preference gains in Britain would be in the region of £18 million, and £2½ million for bananas.

6. Of much greater importance is the guaranteed aspect of the preferences. Without this the West Indies would be hard put to sell such commodities as bananas. The sugar position is even worse. At present the territories can, to some extent, disregard world prices. Any surpluses over British requirements are sold in Canada and elsewhere and the lower revenue is averaged out with higher revenue.

7. The United States does not offer any special trading arrangements to the area other than quota prices for sugar.

8. Canadian-West Indian trade on the other hand is governed by the Canadian-West Indian Trade Agreements which make provision for reciprocal preferential tariff treatment.² The value of these concessions to the West Indies is marginal. Most commodities presently traded are not subject to duty in any case. In 1967, bauxite, sugar and molasses and crude petroleum constituted 79% of the areas sales in Canada. Canada purchases sugar at world prices and admits Commonwealth imports at preferential tariff levels. Since the 1966 Ottawa Conference it has remitted an amount equal to the preferential duty to the West Indian governments. This reached about \$1,000,000 in 1968.

9. Both Britain and Canada do gain from the reciprocal nature of Commonwealth preferences, especially in the case of commodities where there is only a marginal competitive edge over other non preferential suppliers, but the gains are not substantial and are not decisive.

10. The British, for instance, could probably afford to lose their preferences in the West Indies market if forced to do so following entry into the European Common Market. The West Indies sugar and banana industries, on the other hand, would probably be seriously affected by the ending of British preferences.

11. Over half of Canada's exports to the West Indies are made up of primary produce, and sales in a wide range of these are not affected by preferential treatment. The threat comes from import restriction placed by West Indian governments to foster local sources of supply.

This is particularly true in Trinidad, Jamaica, and Guyana. In 1967, for instance, sales to Trinidad, which is Canada's second largest market in the Commonwealth Caribbean, declined to \$20.1 million CDN from \$23.3 million CDN in 1966, principally because of restrictions on wheat flour, processed foodstuffs, poultry feeds, hosiery, insulated wire and cable, passenger autos and refrigerators. There are indications of a further decline in 1968.

Financial and Technical Assistance

12. While the Caribbean Countries remained dependencies, they received little financial aid from sources other than Britain. Nevertheless they fared well by comparison with other colonial dependencies. During the 12 years following the 1945 Colonial Development and Welfare Act the area received £52.5 million or 10% of Britain's bilateral aid for the period. Aid per person stood at £1.4 million as against £.24 million for Malaya and £.1 million for Nigeria.

13. British aid for budgetary support, capital funds and technical assistance continues at a high level. An office of the British Development division is maintained in Barbados, and aid to the dependent and associated Caribbean territories alone is expected to reach \$25 (e.c.) million in 1969-70.

14. U.S. aid on the other hand has until recently been marginal though with the accession of Trinidad and Barbados to the OAS these territories hope to receive more assistance from the Alliance for Progress. The problem is made difficult by the fact that all the Commonwealth Caribbean countries fall within the middle income classification group of the World Bank. It divides up the countries of the world into four main categories with Haiti being the only Caribbean country which falls within the very poor group.

15. Canadian aid to the area began in 1958.³ From the outset it was designed to stimulate and keep alive the idea of West Indian federation. Cana-

² See Appendix Two for details of this trade.

³ For a detailed breakdown see Appendix 3.

dian assistance to the area at that time was \$10 million over five years. It was felt that high priority should be given to providing ocean transportation which would permit regular and inexpensive freight and passenger service between the islands. Accordingly Canada built and equipped two vessels at the cost of \$6 million; the Federal Palm and Federal Maple. Aid was also extended to help develop the facilities of the University of the West Indies and Canada undertook to provide a university residence at the Port of Spain campus at a cost of \$700,000. The link with the university has continued and aid to the institution as well as to the separate University of Guyana continues to enjoy priority. Following the 1966 Ottawa Conference it was agreed that at least \$10 million would be made available over the following five years. The original aid program, in addition included technical assistance, particularly by the supply of school teachers.

16. After the break up of the Federation it became necessary to consider aid from the standpoint of each individual territory and the Canadian government now sought to concentrate its efforts in those areas where the need for aid was greatest. By the end of 1963 \$10 million had been given in aid to the West Indies. In the period following, aid was concentrated in the fields of transportation, education and water storage. By 1965 funds allocated to the "little Eight" were running at a level equal to what had been spent in any previous year for the entire Caribbean. Four primary schools were constructed and equipped on the islands of Grenada, St. Kitts, Antigua, and Dominica, while a vocational training school was equipped on the island of St. Kitts. Two warehouses were constructed on the islands of St. Kitts and St. Lucia to make for more efficient handling and storage, while a variety of port handling equipment was supplied to five of the eight smaller islands. Water surveys were also made in Montserrat and St. Kitts.

17. Trinidad received almost \$3.5 million in grants and loans in 1964-65 and a further \$3 million was made available the following year. Jamaica received similar amounts while Guyana received \$1 million in 1964-65 and a further \$1.2 million the following year.

18. Following the 1966 Conference in Ottawa and the report of the Tripartite Survey of the Eastern Caribbean, the Canadian government announced its intention to increase its aid to the area to a minimum of \$75 million over the following five years. Subsequently after a meeting of ministers from the Leeward and Windward Islands and Barbados, it was made known that Canada would concentrate its aid in that area over the next five years in the fields of agriculture, water resources development, education, and transportation.

19. In 1967-68 Canadian aid allocations to the Caribbean totalled \$17.2 million made up of \$9.2 million in grants and \$8 million in development loans. This increase represented an even higher undertaking than was given at the 1966 Commonwealth Caribbean Conference.

20. In 1968-69, Canadian aid to the Caribbean area will total \$22 million divided into \$12.5 million for grant projects and \$9.5 million for development loans.

21. Canada is also participating in the Regional Development Agency in the Eastern Caribbean, and is likely to support the recently established Regional Development Bank.

The Need for Further Aid

22. For development aid purposes the region can be divided into the growing "haves" and the "have-nots". Jamaica, Trinidad and to a lesser extent Barbados are probably in a position where much of their development could be financed from local sources. The other territories are less fortunate.

23. While the need for development aid is greatest in the poorer areas, there is a continuing need for technical assistance of all kinds throughout the Caribbean, especially in the field of manpower development.

24. The major problem may now be that of assuring that aid funds are spent in the wisest manner with objectives clearly defined.

25. There is now a greater relationship between aid and trade.

26. With the growing diversification of the West Indies and hopefully its acceleration through the work of CARIFTA and the Regional Development Bank, there will be a growing need for new markets. It might well be wiser to examine the possibilities of these rather than supporting outdated industries.

27. Donor countries will have to consider carefully whether the indefinite continuance of guaranteed markets for traditional West Indian exports is wise. Would, for instance, the offer by Canada of special arrangements for West Indian sugar merely postpone the overdue rationalisation of the industry? Would it not be wiser to encourage more profitable industries such as vegetable growing or clothing? Should Canada also consider giving tourism a boost for instance by allowing tax concessions for tourists who take their holidays in the Caribbean and by substantial increases in duty free allowances, and the assur-

ance of lower fares? Should aid be directed more to encouraging West Indian participation in local industries particularly in the field of tourism? Should Canada not consider a major overhaul of the Canada-

West Indian Trade Agreement with the object of tying it in with aid objectives? Should it not become an aid treaty rather than a mutual trade agreement?

APPENDIX ONE

THE PRINCIPAL SOURCES OF IMPORTS AND EXPORTS
OF SELECTED COMMONWEALTH CARIBBEAN COUNTRIES

(Percentages)

	1938		1954		1964	
	Imports	Exports	Imports	Exports	Imports	Exports
Antigua						
United States	n.a.		20	1	28	6
Britain	n.a.		39	83	26	74
Canada	n.a.		12	0.2 ^a	13	0.5
Other	n.a.		29	15.8	33	19.5
Barbados						
United States	12	7	7	1	16	8
Britain	41	47	40	58	30	44
Canada	13	42	18	26	12	10
Other	34	4	35	15	42	38
Guyana						
United States	12	4	14	8	23	16
Britain	52	34	47	37	33	21
Canada	15	53	10	39	9	30
Other	21	9	29	16	35	33
Jamaica						
United States	22	4	16	15	31	35
Britain	34	59	42	53	25	29
Canada	16	27	13	17	11	21
Other	28	10	29	15	33	15
Trinidad						
United States	24	5	8	5	14	28
Britain	37	44	38	40	18	22
Canada	12	7	8	5 ^b	5	5
Other	27	44	46	50	63	45

^aFigures are for 1960

^bFigures are for 1953

SOURCES: Dominion Bureau of Statistics and The Economist Intelligence Unit.

APPENDIX TWO
CANADIAN TRADE WITH
THE COMMONWEALTH CARIBBEAN

The Commonwealth Caribbean ranks 10th among Canada's overseas customers and in 1967 Canadian exports to the area were valued at \$108.2 million CDN or about 2% of total exports. On the other hand, Canadian imports from the area amounted to

\$89.1 million CDN in 1967 or about 13% of the area's total exports.

The following tables show details of recent trade trends.

CANADA-COMMONWEALTH CARIBBEAN TRADE

Table One

Canadian Exports to the Commonwealth Caribbean
(Cdn. \$ millions)

	1965	1966	1967	Jan.- July 1967	Jan.- July 1968
Jamaica	30.3	33.5	39.1	22.1	20.1
Trinidad & Tobago	21.5	23.3	20.1	12.1	8.3
Guyana	7.7	9.9	12.1	7.7	4.3
Barbados	6.8	8.1	8.4	4.8	4.1
Bermuda	6.0	7.4	7.4	4.4	3.8
Bahamas	9.3	10.8	10.2	5.7	7.7
Leeward & Windwards	8.0	8.8	9.7	6.0	4.8
British Honduras	1.1	.9	1.2	.7	.7
	90.7	102.8	108.2	63.5	53.8

Source: Dominion Bureau of Statistics.

Table Three

Canadian Imports from the Commonwealth Caribbean
(Cdn. \$millions)

	1965	1966	1967	Jan.- July 1967	Jan.- July 1968
Jamaica	36.0	37.3	31.9	17.2	15.6
Guyana	22.5	29.1	30.0	13.1	13.3
Trinidad & Tobago	16.7	16.0	18.7	11.7	11.9
Barbados	3.0	2.3	3.1	1.9	.6
British Honduras	1.2	1.5	1.9	.7	1.5
Leeward & Windwards	.8	.9	1.4	.4	.7
Bahamas	.5	1.2	2.2	1.3	1.4
Bermuda	.4	.8	.3	.2	.3
	85.3	89.1	89.1	46.5	45.3

Source: Dominion Bureau of Statistics.

Table Two

Principal Canadian Exports
to the Commonwealth Caribbean
(Cdn. \$000's)

	1965	1966	1967
Flour	11,138	10,355	8,413
Fish, Pickled, Salted	7,204	8,105	8,320
Meats	6,013	5,204	5,246
Fish, Canned	3,734	4,245	4,428
Motor Vehicles & Trucks	6,371	5,479	2,634
Drugs & Medicines	1,329	2,411	2,629
Lumber	1,879	2,503	2,560
Textiles	1,908	2,113	2,303
Aircraft & Parts	17	122	2,238
Newsprint	1,749	1,774	2,194
Insulated Wire & Cable	441	1,458	1,583
Tires & Tubes	1,663	1,784	1,497
Milk Powder	1,615	954	1,461
Finishing & Quarrying			
Machinery & Parts	295	520	1,251
Aluminum Bars, Rods			
and Sheets	739	1,055	1,145
Iron and Steel Pipes			
and Tubes	626	768	1,120
Poultry Feeds	1,189	1,484	1,046

plus an extremely broad range of fully manufactured products.

Table Four

Principal Canadian Purchases from the
Commonwealth Caribbean
(Cdn. \$000's)

	1965	1966	1967
Bauxite & Alumina	43,781	49,518	48,300
Raw Sugar	17,151	16,359	11,735
Crude Petroleum	8,917	8,453	9,504
Molasses	2,359	2,944	3,864
Rum	1,052	1,682	2,835
Fruit Juices	1,126	1,391	1,036
Coffee	398	396	505
Nutmegs & Mace	375	258	307
Liqueurs	151	320	280
Vegetables Fresh	178	188	254
Cocoa Beans	281	47	79

APPENDIX THREE

CANADIAN AID TO THE COMMONWEALTH CARIBBEAN

CAPITAL PROJECTS COMPLETED TO APRIL 1, 1968

(Source: C.I.D.A.)

			Total
Jamaica	Vocational training equipment	\$ 40,000	\$
	Technical school equipment	191,000	
	Pipe for rural water schemes	160,000	391,000
Trinidad and Tobago	Canada Hall, UW 1	700,000	
	Fire-fighting equipment	20,000	
	Canada Law Reports	2,000	
	Prefeasibility studies, water and transport	45,000	
	VOR aircraft guidance system	150,000	
	Rural electrification equipment (loan)	650,000	
	Port equipment (loan)	350,000	1,917,000
Guyana	Front end loaders	30,000	
	Fire trucks; dump trucks	44,500	
	Technical school equipment	2,500	
	Twin Otter aircraft	330,000	
	Two diesel locomotives	390,000	
	Highway equipment	550,000	1,347,000
British Honduras	Equipment for surveying team	54,000	54,000
Barbados	Pilot launch	44,500	
	Port handling equipment	55,500	100,000
Antigua	Jennings primary school	362,500	
	Port handling equipment	2,400	
	Harbour launch	33,265	398,165
Montserrat	Port handling equipment	2,500	2,500
St. Kitts	Vocational school equipment	29,500	
	Port handling equipment	46,200	
	Port warehouse	50,000	
	Water development	575,000	700,700
Dominica	Natural resources survey	34,700	
	Port handling equipment	39,000	
	Goodwill primary school	362,500	436,200
Grenada	Primary schools at Sauteurs and Gouyave	725,000	
	Port handling equipment	33,500	758,500
St. Lucia	Port warehouse	50,000	
	Banana study	50,000	
	Fertilizer	52,500	152,500
St. Vincent	Deep water wharf	1,000,000	
	Port handling equipment	35,500	
	Water supply system for Kingston	16,300	
	Fertilizer	52,500	1,104,300
University of the West Indies	Furniture and equipment for Barbados campus	126,000	126,000
Caribbean Area	Two cargo passenger vessels	5,800,000	
	Film on West Indies Federation	10,000	
	Feasibility studies in small islands	10,200	5,820,200
Total value of capital projects			\$ 13,311,265

CURRENT PROJECTS

JAMAICA

Loan Projects

1. *Olivier Bridge*—Construction and supply of equipment. \$700,000.
2. *Harbour View Sewerage*—Design, construction and supply of pipe, pumps and fittings for small water projects. \$925,000.
3. *Rural Schools*—\$1.5 million has been allocated to provide 40 prefabricated rural schools.
4. *V.H.F. Radio Telephone*—System to benefit the Ministries of Communications and Works, Agriculture and Lands, and Local Government at a Canadian cost of \$500,000.
5. *Public Works Equipment*—Building material equipment for a youth training camp, a public works workshop, road building maintenance equipment, and airport fire-fighting equipment. \$800,000.
6. *Small Bridges*—To improve road communication in the island. \$300,000.
7. *Hospital Equipment*—For 150-bed hospital in the town of May Pen. \$475,000.
8. *Low Cost Housing*—Rural housing scheme will supply two-bedroom houses. \$575,000.
9. *Preinvestment and Feasibility Studies*—To finance studies by Canadian individuals and firms in the industrial, fisheries, agricultural and other natural resources sectors. \$1 million.
10. *Eastern St. Mary Water Distribution Scheme*—\$1.2 million loan will be used to provide pipes, fittings, pumps, motors and related material for construction of a water supply system in the eastern part of the Parish of St. Mary, in the north-eastern part of the island.

TRINIDAD AND TOBAGO

Loan Projects

1. *Lumber*—\$400,000.
2. *Factory Shells*—First three factories now open and delivery of additional shells underway. \$1.250 million.
3. *Port Warehouse*—\$250,000.

4. *Aerial Survey*—First year's photography now complete; mosaics now being produced. \$750,000.

5. *Water Resources Survey*—\$340,000.

6. *Dairy Development*—Approximately 1,250 head of cattle purchased and shipped. \$900,000.

7. *Transportation Survey*—\$400,000.

GUYANA

Grant Projects

1. *Aid to Amerindians*—Project includes water drilling equipment, well-drilling advisers and medical equipment. \$170,000.
2. *University of Guyana*—Joint Guyanese/British-Canadian project. \$1 million.
3. *New Amsterdam Vocational Institute*—Canadian contribution of \$600,000 for capital project and \$1 million for technical assistance.
4. *New Amsterdam Fish Centre*—Design and construction. \$150,000.

Loan Projects

1. *Aerial Survey and Mapping*—First season photography and triangulation flying are complete. \$1.8 million.
2. *Twin Otter Aircraft*—\$500,000.

EASTERN CARIBBEAN REGION

Grant Projects

1. *Water Development—Montserrat*—\$380,000
 —*Antigua*—\$250,000
 —*St. Lucia*—\$350,000
 —*St. Vincent*—\$75,000
2. *Schools—Dominica*—\$600,000
 —*Antigua*—\$600,000
 —*St. Lucia*—\$200,000

3. *Fish Storage Plant—Grenada*—\$235,000

4. *Harbour Launch—Antigua*—\$33,265

5. *Air Terminal—Montserrat*—Design and furniture for terminal building. \$250,000.

Loan Project

1. *Dairy Development—Barbados—\$250,000.*

CONCENTRATION ON AID TO AIR TRANSPORT,
EDUCATION, WATER DEVELOPMENT AND
AGRICULTURE

The Eastern Caribbean Governments have been informed that over the next five years Canada would prefer to concentrate on aid to air transport, education, water development and agriculture in the region.

Air Transport

1. *Extension to Coolidge Field—Antigua—\$1.674 million.*
2. *Jet facilities at Beane Field—St. Lucia—\$2.110 million.*
3. *Improvements, Melville Hall Airport—Dominica—\$200,000.*
4. *Improvements, Newcastle Airport—Nevis—\$220,000.*
5. *Technical assistance, reserve, etc.—\$596,000.*

Education

\$5 million will be used for capital assistance over the next five years. Financial requirements for the schools now underway for Antigua, Dominica and St. Lucia are expected to be about \$2 million in this period.

Water Development

Out of the \$5 million allocated to this sector, the proposed first year allocation of \$1 million will benefit Dominica, Grenada, Montserrat, St. Kitts, Nevis, Anguilla, and St. Lucia.

Agriculture

Assistance to agriculture will amount to \$1 million over the next five years.

BRITISH HONDURAS

Grant Project

1. *Belize Bridge—\$500,000.*

UNIVERSITY OF THE WEST INDIES

The University of the West Indies prepared a program to involve the use of the \$5 million Canadian grant aid over a five-year period which commenced in 1966. About one-third of the funds will be used for capital assistance, one-third for scholarships in Canada and at the UWI, and one-third for the provision of Canadian professors.

Capital Assistance

1. *Design of buildings—\$90,000*
2. *Construction of Barbados Residence—\$475,000*



First Session—Twenty-eighth Parliament

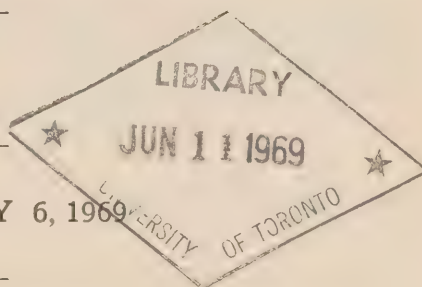
1968-69

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 6

TUESDAY, MAY 6, 1969



Respecting
THE CARIBBEAN AREA

WITNESS:

Right Honourable Lester B. Pearson, P.C., Chairman, Commission on
International Development (World Bank).

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

Extract from the Minutes of Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Belisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be

required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ALCIDE PAQUETTE,
Clerk Assistant.

MINUTES OF PROCEEDINGS

TUESDAY, May 6th, 1969.

(7)

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Cameron, Carter, Eudes, Fergusson, Grosart, Haig, Hastings, Laird, Macnaughton, Martin, Pearson, Sparrow and Thorvaldson. (15)

Present but not of the Committee: The Honourable Senators Connolly and Leonard. (2)

In attendance: Mr. Peter Dobell, Director, Parliamentary Centre for Foreign Affairs and Foreign Trade.

The Committee continued its study of the Caribbean Area.

The Chairman (Senator Aird) introduced the witness:

The Right Honourable Lester B. Pearson, P.C., Chairman, Commission on International Development (World Bank).

Mr. Pearson made a statement respecting the developing countries. He was questioned on that statement and on related matters. The witness was thanked for his assistance to the Committee.

At 12.50 p.m. the Committee adjourned to the call of the Chair.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

Pearson, Right Honourable Lester Bowles, P.C., C.C., O.B.E., M.A., LL.D. Born April 23, 1897, at Newtonbrook, Ontario. Son of the Reverend Edwin Arthur and Annie Sarah (Bowles) Pearson, educated at Collegiate Institutes in Toronto, Peterborough and Hamilton, Ontario. Served overseas in World War I, (1915-1918) as Private-Lieutenant-Flying Officer. University of Toronto, B.A.; Oxford University, M.A. Holds doctorates from forty-eight universities. Member of History Department, University of Toronto, 1924-28; Chancellor of Victoria University 1951-58. Married in August 22, 1925, to Maryon, Elspeth, daughter of Dr. and Mrs. A. W. Moody of Winnipeg, Manitoba. Two children: Geoffrey Arthur Holland and Patricia Lillian. Ten grandchildren. Appointed to Department of External Affairs in 1928. In 1935 was appointed to the office of High Commissioner for Canada in London, England. Appointed Assistant Under-Secretary of State for External Affairs in 1941. In 1942 was made Minister Counsellor at Canadian Legation in Washington. Appointed Envoy Extraordinary and Minister Plenipotentiary to U.S.A. in July 1944. In 1945, appointed Canadian Ambassador to the United States and in autumn of 1946 returned to Canada as Under Secretary of State for External Affairs. Represented Canada at meetings of the United Nations, the North Atlantic Treaty Organization and at other international and Commonwealth conferences. Chairman of NATO Council, 1951-52. President of the Seventh Session of General Assembly of the United Nations, 1952-53. Appointed Secretary of State for External Affairs and member of the Privy Council, September 10, 1948. Author: "Democracy in World Politics", 1955; "Diplomacy in the Nuclear Age", 1959; "The Four Faces of Peace", 1964. Awarded Nobel Peace Prize, 1957. First elected to House of Commons at by-election on October 25, 1948. Re-elected at general elections in 1949, 1953, 1957, 1958, 1962, 1963 and 1965. Selected as Leader of the Liberal Party and of the Official Opposition in January 1958. Sworn in as Prime Minister on April 22, 1963. Appointed by the Queen to the Imperial Privy Council, May 13, 1963. Received the Family of Man Award in 1965 and the Atlantic Union Pioneer Award in 1966. In 1967 was made an Honorary Freeman of City of London (England). Resigned as Leader of the Liberal Party and Prime Minister of Canada in 1968 and was not a candidate in the general election that year. Was Reith Lecturer (B.B.C.) in 1968. Created a Companion of the Order of Canada in 1968, and an Honorary Fellow of Weismann Institute of Science of Israel during the same year. Elected to Board of Directors of Crown Life Insurance Company in October 1968. Has recently been designated as Chancellor of Carleton University and, since September 1968, has been Chairman of the Commission on International Development (World Bank); is also President of the Institute of Strategic Studies, (London, England) and Chairman of the National Advisory Council of the Canadian Institute on International Affairs. Party Politics: Liberal, Religion: United Church of Canada.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, May 6, 1969.

The Standing Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, it is now past the hour of 11 o'clock and I see we have a quorum present. Therefore, I declare the meeting regularly constituted.

As Chairman, I have two courses open to me when introducing a great and distinguished Canadian such as the Right Honourable Lester Pearson: I may make a short introduction, or a long one. With his approval, and in accordance with my inclination, I would like to make a short introduction.

I wish to state that he is appearing solely in his capacity as Chairman of the Special International Committee examining the problems of developing nations. As you all know, he has just completed a world-wide trip in this capacity. It was the feeling of your committee that Mr. Pearson's testimony here today would help us to gain a perspective of the problems that concern the Caribbean countries, in the light of his world travels and, of course, in the light of his own views and experiences.

I would say, sir, that your appearance here today is a great honour to this committee and that it is also a great honour to the Senate. Perhaps for old times' sake we will follow the procedure that when you have finished your remarks I will call upon the Leader of the Government in the Senate, the Honourable Paul Martin, to make a comment or to ask a question. Then I would hope for as wide a participation as possible from other honourable senators present.

Welcome, sir.

The Right Honourable Lester Bowles Pearson: Thank you, Mr. Chairman.

I feel it a privilege, to appear before you and the honourable senators who are here this morning to begin the discussion of a matter which, while perhaps not directly related

to those things you have been discussing concerning the Caribbean region, is certainly relevant to those discussions. The Caribbean is an area where there are a good many countries concerned with aid and development and with the help that they may be able to secure from outside their own countries in connection with that development.

As you have said, Mr. Chairman, I am here as the Chairman of the Commission appointed to look into this very important, very complicated and almost overwhelming question of international co-operation in the field of aid and development.

With your permission, I will say a few words about our Commission, what we are trying to do and the problems we face; and then I would hope that you would be able to continue the meeting by asking me questions, which I may or may not be able to answer.

I have on my right my own assistant in the Commission, Mr. Hart, who has been seconded from the Department of External Affairs and who has represented Canada in a number of African countries. He has been taking time off to help me with this work. He will also be helping me this morning, I have no doubt, if there are questions addressed to me.

This Commission is, I think, a unique one in the sense that it really has no direct mandate from any government to do its work. We are a Commission of individuals. Each commissioner is serving on the Commission in his individual capacity. No member of the Commission is responsible in that sense to any particular government.

I was asked by the President of the World Bank—this is the origin of the Commission—with authority from the members of the Bank of whom, I think, there are 107—if I would accept the chairmanship of a commission to examine the experience of the last 20 years or so in this field of international co-operation for development, to analyze what has been done, what has been successful and what has been unsuccessful, and to report with recommendations, covering the next 15 or 20 years,

to the governments who are members of the Bank. Underlying this request was the hope that the work that has been done—and a great deal of work has been done in this field by various governments and international agencies—can be more effectively conducted in the future. For this purpose Mr. McNamara asked me if I would appoint my own commissioners and my own staff and carry on from there.

I was concerned first to secure an expert staff. We are a very international Commission in the sense that the staff and the members of the Commission come from many countries. There is a staff of between 12 and 14—there are one or two who are part-time—who work out of Washington. They are all expert in the field of economic development. They come from all the continents. There are two Americans, and the others come from Latin America, Europe, Asia, Africa, and Australasia.

On the Commission itself there are seven commissioners and a chairman. The commissioners are from South America, the United States, Europe, and there is one from Jamaica and one from Japan. We have met as a Commission three times, when we examined the work that has been done under our direction by the experts. In addition to that, I, as chairman of the Commission, have been travelling around the world consulting with the various governments that are concerned with this matter, and that includes practically every government in the world. As it is not possible for me to visit every capital I have adopted the procedure of going to a particular city, and then inviting the governments in that area to send representatives to that city. In each of these cities I have spent several days exchanging views with government representatives on the problems of development as they see them. This has meant meeting also with representatives of donor as well as developing countries.

As a result of this kind of activity, of these seminars, I have, since I took on this job last autumn, travelled nearly 60,000 miles. This is a fine way to spend your retirement! I have learned a lot about geography. I have also learned a lot about the problems of development, and the importance of development, that I did not know before. There is no substitute for first-hand information.

I have interviewed or exchanged views with—and sometimes I have been accompanied by one or two of the commissioners who were particularly concerned with the

problems of a particular area—the representatives of 56 governments, I have about 20 more to go.

When I have finished my travels at the end of June, the commission will have received the views of practically every government concerned, as a donor or a recipient, with this problem. We will then spend the summer writing our report, which we hope to have finished by September. If that can be accomplished in that time, having regard to the nature and scope and complications of the problem it will be a quite unusual achievement. It will be due largely to the kind of men we have in Washington who are doing the research and dealing with the information that we supply them.

I suspect that the main reason for the request of the World Bank that this Commission be appointed to take on this job was to obtain a report with recommendations which would emphasize to everybody the continuing and vital importance of doing something even more effectively than has been done in the past—and a good deal has been done in the last 20 years—to assist developing countries in their economic progress; so that the gap, which we often hear about, between the richer and the poorer countries will be narrowed. At the present time, as you know, it is not only not being narrowed, but, in spite of all that is being done, it is widening, with consequences that can be of critical importance for the world in the years ahead.

It is also hoped—I certainly learned about this in my travels—that our report and recommendations may help to reverse in some donor countries what I might call a weakening of will to continue this international operation. Such a weakening of will has been noticeable in the last year or two in the United States. If I mention the United States it is only because its participation in this international effort in the past has been magnificent and generous, and it is essential to the success of the work in the future. Of the billions that have been allocated for international development by the donor countries in the last twenty years, about half, and perhaps a little more than a half, has come from the United States. Therefore, if the will to continue this work of co-operation and aid for developing countries should weaken, let alone disappear altogether, there is not much likelihood of the results that we hope to achieve being achieved. If I mention the United States I repeat it is because of its particular

significance to the whole operation, and because of its power and wealth.

I have discussed these problems not only with the developing countries but with donor countries. As I see it, there is a kind of weariness with well-doing that is developing in certain quarters, and particularly in Washington. This is understandable if you apply it to the country where the application is most important—the United States. It is not easy for some Americans—and it would not be easy for us, I am sure in similar circumstances—to reconcile the slogans “Yankee go home” and “Send us more dollars”.

It is very important to try to analyze the reason for this decline, in certain quarters, in the will not only to strengthen but to maintain this international operation. I believe that it should not only be maintained but strengthened.

In the United States they now have national development burdens greater than they have ever had before. They have accepted the obligation to eliminate want and poverty, to remove discriminations and strengthen civil rights. They have all these domestic problems. They still have Vietnam, with all that that means. So there is a feeling in some quarters there that it is just too much to continue foreign aid let alone increase it. I am not suggesting that that feeling will be the predominant factor in the decisions to be made in Washington, but it is a factor to be taken into consideration by all of us who are concerned with this matter, not only in the United States but in other countries. Because of that feeling there is a greater disposition than there might otherwise be to criticize the results that have been achieved, or the results that have not been achieved, to emphasize the failures over the last 15 or 20 years. Some of these failures may be spectacular and they get more publicity than the successes. If no attempt is made to correct this emphasis, criticism and complaint will continue to increase.

That is the atmosphere, as I see it, in which this international operation will have to be carried on, an atmosphere of impatience that more has not been achieved, and therefore an atmosphere that seems to encourage criticism from those who are worried about other burdens.

I do not think I need say very much about the nature and scope of the problem. I am sure you know already a great deal but I think I should say something. We talk about

the necessity of helping underdeveloped countries. One of our difficulties, which has been made very clear to me in my visits to various countries, especially what we call the developing countries, is a difficulty over semantics. What is a developing country? What is an underdeveloped country? The technical definition of an underdeveloped country that has been adopted by the Bank covers those countries with a per capita income below U.S. \$500. It is not a very satisfactory definition because development cannot be described in terms of dollars alone.

In my travels I have visited some countries with a per capita national income of under \$100, but I have seen some evidence of other kinds of development there which perhaps would not be found in some of our great North American cities. Development is more than gross national income. Yet, one has to take a standard, and a not unreasonable one is a standard of \$500 per capita income. On that standard it is found that 77 countries, with two-thirds of the world's population, are underdeveloped in this sense, and 29 of those have a per capita national income below \$100 a year. In Asia, with 2,175,000,000 people, the average per capita income is about \$100. In Canada our per capita *increase* last year was about twice that. This gives a graphic indication of not only the magnitude but the nature of the problem.

The other day the Secretary General of the United Nations said that half of those now living and two-thirds of those still to be born in this century face the prospect of malnutrition, poverty and despair. I suppose he might have added, perhaps he did later in his speech, “If we do not do something about it.” We have done something about it, though we have not done enough; to reverse the process which at present results in the rich getting richer because they are developing relatively faster than the poor, who are getting poorer relative to the rich.

The United Nations target for development in the less developed countries in the first development decade, 1960 to 1970, was a minimum increase in average growth of G.N.P. of five per cent a year. That goal was almost reached in the period 1960 to 1967, because over 20 of the developing countries had a six per cent increase or more. These are the ones approaching economic take-off. However, in the poorer developing countries the growth was less than two per cent, while in the developed countries, in the rich countries, during that period it was nearly four

per cent. By making that kind of comparison you will understand what I mean when I say that the gap, rather than being narrowed, is getting wider.

While the developing countries naturally compare their own development figures with those of the richer countries, a more realistic comparison would be their own development in terms of their own country's experience in earlier years. You can get more encouragement out of that. Perhaps you can also get some encouragement out of the fact that in the 100 years from 1850 to 1950 the North American and Western European countries improved their own standards of living, the standards of living of their people, sevenfold, on an average per capita increase of income of only two per cent. They did that, of course, without the kind of international assistance that is now being given.

If you get some encouragement from that, it will be modified by the fact that it took 100 years to do it. I do not think we are going to be given 100 years, from 1970 to 2070, for these new, impatient countries to increase their standards of living. So we have to operate more quickly now. In any event, with an average per capita income of \$100 and a population growth of two to three per cent per annum, which is still about the average in the developing countries, even a five per cent increase represents \$2.50 more purchasing power a year.

The role of foreign aid in the solution of this problem is of course important, but it can be exaggerated. Aid from developed countries to developing countries takes many forms. No doubt we will be discussing the relative merits of these various forms of aid. The total has grown from a net of \$6 billion in 1956 to \$10 billion in 1967. Last year it was more than that. I think it will be about \$11 billion. That is a very considerable amount. These are net figures. It is important to distinguish between net and gross in the totals of grants, loans and private investment. Net figures are reached after deducting amortization payments on previous official loans. Such payments came in 1967 to about \$1 billion. What is received, thus, amounts to about 4 per cent of the income of the developing countries. In other words, they still depend on themselves for 96 per cent of their gross income. This emphasizes that the problem will not be solved by international action. It can be assisted by such action, but it is up to the developing countries themselves. They

appreciate this. It is primarily a domestic problem but they are entitled to get economic assistance from richer and more fortunate countries. That 4 per cent, which may seem very small, may be the difference between going ahead and not going ahead.

One way I have put it is that these countries must haul themselves up by their own bootstraps. That is the only way it can be done in the long run. But they are entitled to some help from us in order to strengthen their bootstraps so they will not break under the strain. That is, if you like, a kind of rationalization of the obligations of richer countries to help. This \$10 billion in 1968 and \$11 billion or so in 1968 is about 90 per cent of the total international assistance. It came from the 16 states which are members of the Development Assistance Committee of the OECD. About half of the total came from the United States, and this figure of around \$11 billion or a little more, whatever it was last year, has to be spread over 2.5 billion people.

Some people say that in this field of aid we have failed in our international duty—by “we” I mean the rich international community—because this amount represents a very small percentage of our own national income. If you recall, the target of 1 per cent of our gross national product has been laid down by the UN and accepted by most of the donor countries as the objective to be achieved. Not only has that 1 per cent figure not been achieved, the official and private flow of aid from the 16 DAC countries is now about 0.75 per cent of GNP, which is three-quarters of 1 per cent. In 1961 it was 0.96 per cent. Instead of making progress towards this 1 per cent, internationally in the last two or three years we are farther away from it and that is discouraging. In order to meet the target 1 per cent of the gross national product, we, the donor countries, would only have to make available about $1\frac{1}{2}$ to 2 per cent of the annual increase in our incomes.

The annual increase in real income in the richer countries last year was about \$400 billion. That is more than the total income of all the developing countries. The United States' annual increase in income alone is greater than the total income of all the African countries and India. Yet we still have some distance to go before we reach the target of 1 per cent.

One thing that struck me in my travels and in the discussions that I have had is the difficulty of trying to establish a mathematical

target of this kind—1 per cent—especially as different methods of calculation seemed to be used by various donor countries in order to reach the 1 per cent. There are some elements of this 1 per cent figure which are of help to the receiving countries, but could hardly be categorized as aid in the technical sense, because they are given, for purposes which may be as advantageous to the donor as to the receiver and sometimes more advantageous. Sometimes the purposes are not always economic, but aid for these purposes is included in their figures by some of the countries that are at the top of the "league" percentagewise. I think Portugal has the highest percentage of international aid to GNP, which is 1.78. It is interesting to examine the details of how the Portuguese Government makes up the 1.78. There is a kind of a competition to get a good place in the "league". This puts a premium on clever statistical work. However, that does not matter much. You must have a target and you have one. It is 1 per cent, and everybody has to give more if we are going to reach that figure. That means in aggregate terms, instead of \$11 billion we need \$15 billion from the world community this year for aid and development. This is not, I should think, an excessive figure.

Aid has taken a good many forms in grants and loans and other ways. One of the things that has struck us as we have been examining the problem, is the growing importance in the future that will probably be attached to concessional loans; loans through IDA, the soft loan affiliate of the World Bank, and through regional banks. There has been a great deal of capital transferred to developing countries by loans in the last 20 years, and there may be more in the future. This has been of great advantage to these countries, but it has imposed great burdens on them too. The outstanding external public debt of the less developed countries by mid-1967 had reached \$44 billion. The annual debt charges, interest and amortization has now reached \$4.7 billion. During 1967, their total assistance, aid, transfers and all other forms of assistance amounted to \$12.4 billion. Out of that they had to pay back in previous loans interest and debt charges of \$4.7 billion so the net help they got was \$7.7 billion. Thus and—I think my figure is correct—38 per cent of total assistance flows had been used to pay interest, amortization and other obligations on previous loans. That has constituted quite a problem and is one of the things that will

have to be dealt with, of course, in the report of our commission.

There are one or two countries I visited where the repayment of old debts, some of them unwisely incurred, not necessarily the fault of the donor countries, for enormously expensive prestige projects, constitutes a particularly difficult problem. In one or two countries, at the present rate of receipt of aid they will soon, through increased debt charges, be net exporters of capital as developing countries because of what they have to pay back. There are only one or two countries however in that position.

There are other aspects of this problem Mr. Chairman, which I will only mention because they may come up in discussion. The role of private investment in development is a very important one, not always fully appreciated. It has done quite a lot in the past and I think there is a possibility of doing more in the future.

Senator Connolly (Ottawa West): Would you like to continue on that point, Mr. Pearson before the questions, or do you prefer to have the questions now and continue later?

Right Hon. Mr. Pearson: I think I will finish in about two minutes and then we can deal with questions.

Trade is another subject that probably should be discussed. Very often, especially in the African countries, and in South America, the attitude is "if you would only give us an opportunity to sell our goods in your market you would not have to transfer capital to us." We heard a lot about that.

Then there is the problem of population, which is a very important aspect of this whole subject. In a developing country one does not get much net benefit from an increase in the per capita national income of say 3 per cent, part of which may come from foreign aid, if the population growth in that area goes up by 3.2 per cent.

In some countries we have visited, this is a major problem. I do not propose to mention too many countries individually, but perhaps I could refer to India here. I remember in India receiving a visit from a particular cabinet minister, just as I was about to leave to go to Singapore. He was in charge of population problems and he said: "Why didn't you call on me"? I told him I had carried out an arranged schedule; that I was told to see certain ministers, and I did so. He said, "You

should have seen me. I am by far the most important person. If you had seen me you need not have had to worry about other things because I deal with far and away the most important single problem we have; the problem of population. If we can get the kind of international assistance that will help us to solve this problem, you will find we will be able to go ahead economically in India."

Then there is the problem—and it is a very serious one for the developing countries—of the terms and conditions that are attached to aid. This refers not only to political but to economic terms; tied aid and that sort of thing. There is also the problem how aid programs can best operate; internationally, through multilateral agencies, or by direct discussions with governments, bilaterally.

Then there is the question of the international organization of aid: how can we avoid overlapping and duplication and that kind of thing. There are so many agencies working in this field that in some countries we hear complaints that they are getting in each other's way, and each agency naturally wants all sorts of information before it takes on a project. One cabinet minister in Africa told me that he had two or three people who do nothing but fill in and send out forms to those who want to help them. This brings up the whole question of the best international as well as national structure for aid.

Mr. Chairman, that probably is all that I need say at this point. I will be very glad to discuss with you any of these or other points that the members of the committee may like to bring up.

The Chairman: Thank you very much, sir. At the outset, I indicated that I would call on Senator Paul Martin. I have received indications from Senator Grosart and Senator Carter that they would like to ask questions; and also from Senator Macnaughton, Senator Cameron and Senator Thorvaldson. Of course, as the meeting proceeds, we will entertain other questions.

Senator Martin: Mr. Chairman, I can think of but one reason why you have asked me to put interrogations to Mr. Pearson, and that is to join with you and warmly welcome him back to Parliament Hill.

Hon. Senators: Hear, hear.

Senator Martin: I would say to him that not only his colleagues in the Government of Canada but all of us, all Canadians, are par-

ticularly pleased by his assignment by the Bank to this important commission.

It would be unfair for me to ask him questions which arise out of policies in which we both worked over the years, but I would like to ask, in view of the fact that his assignment came from the Bank, does he see any hope, out of his labours, that the Bank might be able to develop the consortium idea, either alone or in conjunction with international organizations, to avoid what he was talking about in the last few minutes, the waste which is inevitable in bilateral giving? For instance, in the matter of aid, and in the making of effective international giving, is it thought that the Bank is prepared to extend this operation?

Right Hon. Mr. Pearson: I would like to thank Senator Martin for his kind words of welcome. He has brought up a very important point, which I just touched on at the end of my remarks. What can be done to our international or national machinery to avoid duplication and overlapping and waste? He has cited the operation of the World Bank in this field. I would like to say one thing at once, that while there is waste, of course, in international aid, you cannot deal with amounts of \$30 or \$40 billion, which have been transferred in the last few years, transferred to 80 or 85 separate countries, and expect some of that money not to be wasted—money is wasted even by governments of developed countries occasionally—not in Canada of course but in other countries. This will be a waste of some small proportion of total appropriations. Even big corporations find that this occurs in expenditures. After years of expensive research and development, putting a car on the market that is a complete failure, that is waste. This sort of thing happens. Having regard to the circumstances, I do not think that there has been more waste of that kind of international aid than in other forms of governmental and private activity.

A more important form of waste, if I may say so—and perhaps "waste" is not the right word—is the utilization of funds for projects which do not turn out to be very productive from the point of view of development. Money is often wasted in that sense.

That brings up the point as to how we, through international or bilateral action, can minimize that kind of waste, to make sure that our projects are practical and useful and that our appropriations are being well spent on them.

The World Bank has developed machinery which is often complained about in the developing countries because it is so detailed and so precise and so demanding for examination, before it makes loans. The Bank sends out evaluation teams and arranges feasibility studies and similar exercises. The Bank is only one agent, though a very important one. Other agencies do this kind of thing, but perhaps not as effectively as the Bank.

One purpose of our study is to see if we can come up with recommendations for some kind of central, supervisory machinery which will cover not only international agencies but governments themselves in their bilateral aid contacts, if they wish to use such machinery.

We are certainly looking into this and it is a very important part of the problem.

Also there is the question of international machinery to evaluate not only the importance of a proposal that has been made for aid but to examine what has gone on in the last year in respect of the projects that are being carried out; to evaluate, if you like, development performance. The Bank now insists on this. That is why consortia are becoming increasingly important, where groups of donor countries meet with the receiving countries to examine how the money should be spent and has been spent. The fact that both donor and receiving countries have a voice in this examination makes them feel that they are being consulted. There is no longer the feeling in a receiving country that it simply has no voice. I think this technique of consultation should be expanded. There are six or seven of these consortia now in the world and perhaps there should be more.

This question of evaluation, however, is a very sensitive matter. The recipient countries are anxious that the donor countries' efforts should be evaluated and examined as well as their own to see whether they are also discharging their commitments. This is quite right. This is an important aspect of the whole problem.

Senator Connolly (Ottawa West): Did you find much evidence of waste and duplication?

Right Hon. Mr. Pearson: Well, I have talked about waste. There is bound to be some waste. I am not in a position to say how much there has been. A lot of study has been made on this question. You know, if you have some doubt about the wisdom of this whole aid performance—and there are people who

have doubts about it and who think we had better leave these countries alone and let them pull themselves up because it only makes them dependent when they are given so much help—if you feel that way, you can find a way to make quite an argument that too much is being wasted. A couple of hundred bushels of wheat down a rat hole will sometimes get more publicity than the fact that, through international assistance, both public and private, new strains of wheat and rice have been developed that have increased the production of food grains in the Indian subcontinent, for instance, almost beyond belief. In fact, when I was in Pakistan, I was told they would be self-sufficient there in wheat production this year and would expect to export wheat in a year or two. Pakistan! Just because of these new strains of wheat, and the fertilizer used (they use a lot of fertilizer much of which they get under aid) and their new methods or irrigation.

You do not hear as much about that sort of advance as about some spectacular incident of waste.

Senator Thorvaldson: I would like to add here, Mr. Pearson, that Canadians have been involved nearly exclusively in the development of wheat that has been developed in Pakistan, and I think it is a great privilege for this country that we took on that project some years ago.

Right hon. Mr. Pearson: Indeed it is. In India they expect to produce 100 million tons of feed grain this year. Compare that to the figures of production before the famine.

Senator Martin: I have two questions I would like to ask Mr. Pearson and then I will give way to others. You said nothing, Mr. Pearson, about your assignment that would indicate whether or not you had taken into account assistance given to the underdeveloped countries by the communist countries.

The second point is that you spoke of the major responsibility for improvement in their standard of living by the developing countries themselves. In this connection, would you care to comment on the fundamental contribution that must be made to improve the productive processes of the underdeveloped world through UNCTAD, for instance, or through what George Ball calls the "export of technological know-how" instead of direct grants in aid?

Right Hon. Mr. Pearson: On the first point, the part played by communist countries in aid for development, it is very important in terms of resources transferred. It is very difficult, if not impossible, to get detailed information from those countries as to their aid programs. We know in aggregate terms something about it. You may ask, if this is the case, why did we not associate the communist countries with our commission in some form. The reason for that is that there is no communist country that is a member of the bank, except Yugoslavia. They have all been invited to join the bank but have rejected the invitation. It would not have been possible, I think, to have secured their membership on this commission.

Another reason is that we are all serving in individual capacities and it is not so easy to secure that kind of communist representation on international commissions. But we are hoping to find more information about what they are doing. I hope to get in touch with communist countries before we make our report and at least to explain what we are doing and why we are doing it, in order to remove any impression they may have that we are excluding them through our own desire from our work or that this is in any sense an unfriendly investigation, from their point of view, because it is sponsored by an international organization of which they are not members.

I should point out that in many of the countries I have visited they have asked, what right a commission that is responsible to the Bank, a commission of the bank, has to investigate aid activities in the United Nations or in other places? This is an understandable reaction. The fact is that we are not responsible to the Bank. The commission merely reports to the Bank and to its 107 member governments. But we can examine the Bank's operations in the same way that we investigate any other international agency. So we are not responsible to the Bank. We are trying to make a very general investigation.

The bank has one important role, however. They pay our expenses.

Senator Connolly (Ottawa West): But no salary.

Right Hon. Mr. Pearson: The other question, Mr. Martin, was about the developing government's reaction to the kind of aid, if I understood it right, which does not really

help development. This is a real problem. It is very often a problem created by developing countries, themselves. In the early days they may want the wrong things at times, from the point of view of economic development. But now they are insistent, so far as my experience is concerned in talking to the representatives of their governments, that aid should be of a kind which will help them to do without such special aid in the future. It must be productive in that sense. The success of this operation will depend on whether in 10 or 15 years they no longer need aid. This is the criterion that should be very much in the minds of those who are allocating funds to developing countries.

There is an impatience in certain donor countries—and I mention that, indeed stress it, because it is very important—with the continuance of this operation without achieving the kind of exciting results they hoped would have been achieved by now. There is also a great impatience in some of the developing countries to get out of a position where they have to rely on other countries for assistance of this kind, have to appear before international or national bodies to explain what they are doing, in return for which they get help. That is the way it looks to them sometimes.

I used to point out to them that even the richest countries must now appear before international bodies to explain what they are doing; that the IMF people come round every year to take a look at their books.

But the relationship of aid to genuine productivity and development is very much in our minds. In the work of the next 10 or 15 years, if this operation continues, and I hope it will, we will have learned a lot from the experience of the last 10 or 15 years. Indeed, in the last year or two, the efforts made have been more and more important from the point of view of productive results. It would be most tragic to give up now, at a time when it is not only so important to continue it, but when we know more about the problem and can work more effectively in finding solutions.

Senator Martin: What I had in mind was to what extent UNCTAD had succeeded in meeting the problem of underdevelopment.

Right hon. Mr. Pearson: Well, the UNCTAD developments which have been rather discouraging from the point of view of developing countries were devoted to ways and

means of increasing their export trade; giving them, if you like, one-way preferences in the markets of the rich countries. Very little has been done in that connection. That is probably due to the fact that some of the recommendations were not very practical; also to the fact that the donor countries often find it less embarrassing to give away \$100 million in grants than to open up their markets to \$100 million of imports from developing countries.

Senator Thorvaldson: Are you referring now mainly to the results of the New Delhi conference?

Right hon. Mr. Pearson: Yes, they were somewhat discouraging. This question also came up at the meetings we held in Africa and Asia and South America. Most of the representatives of developing countries said that if we would help them stabilize export commodity prices and increase their export trade then they would not need so much help. I can understand their feeling in that regard. Take a country that depends for 65 per cent of its income from one commodity, and I have in mind the case of Senegal which depends for 65 per cent or so of its income on the export of peanuts. Now if the price goes down one cent on peanuts or peanut oil, or what have you, the loss resulting from that might equal the total amount of foreign aid given for that one year. So naturally they are preoccupied with trade instead of aid.

Senator Grosart: I have a few questions, but first, Mr. Chairman, while I know it is not necessary in this committee, I want to assure Mr. Pearson that his welcome is as universal as it is. May I say that all of us endorse the comments of the chairman at the start, Mr. Pearson, and that it is a great honour to this committee, to the Senate and to all of Canada that not for the first time in your distinguished career you have come here to discuss with us this very important world problem.

Now my first question relates to the target of 1 per cent of GNP at market price which you have estimated would this year reach \$15 billion instead of \$11 billion which would obviously be an on-going figure. If it was met in the next few years would it actually reverse the trend of the gap? Would the 1 per cent actually reverse this widening of the gap of the developed and the developing countries? Secondly, how many countries of the 77 or more might we expect to reach the take-off

point within a reasonable time after the 16 or more donor countries had reached that target?

Right Hon. Mr. Pearson: So far as your first question is concerned I do not suppose that an increase of \$4 billion of external aid if all of it was used productively in the next year, as we would hope it would be, would necessarily close that gap, because the increase in the production and income of the richer countries notwithstanding their increased allocation of funds for foreign aid would probably keep widening the gap no matter what we did. Building up the income of these developing countries is a long-range process. That is why we must not expect that a gap of this kind is going to be closed in the next year or two because of foreign aid. It will not; any more than in our own country the allocation of funds to underdeveloped parts is going to close the gap between the richer and the poorer parts. You never will close these gap and you should not try because that will mean equalization throughout the country and throughout the world. Now, you do not need nor want that: absolute equality. However, we do hope that in the long run we can help the less developed countries to narrow the gap themselves. This in turn will give them the feeling that they are going ahead. They now have that feeling in some countries. For example they are not so concerned in the Côte d'Ivoire with the gap between themselves and the United States, but they are concerned with what they have done in the last two or three years as compared with what they had done in the years before that. The farmer in India or Pakistan is more concerned with how he has progressed over the previous year than with how much less income he has than a farmer in Kansas. While such international comparisons may serve to dramatize the problem, they can also lead to a misunderstanding of it. If we can use \$15 billion of aid productively, and I am sure we can, we would then give developing people more opportunities and a greater chance to go ahead later on their own.

You also asked me how many are at the take-off stage. The answer depends on how you look at it. About 30 are in the position that in a few years they should be able to look after themselves. Now some of those have received great quantities of aid for reasons that have not always been economic or humanitarian, but political. Some others of them have not received so much aid, but have looked after their own affairs better.

Senator Grosart: What reaction did you get from the donor and donee countries in terms of receptivity and otherwise as to the efficiency of a bilateral as opposed to multilateral aid?

Right Hon. Mr. Pearson: There is no consistent view on this. It depends so much on the experience of the country with aid. Some countries have relied almost entirely on one other country for help. Some countries in Africa, for instance, are quite satisfied with the way they have been given aid and they are all for bilateral aid. They think they can do better that way. Other countries have not done so well with bilateral aid, perhaps because they have been under certain pressures and as a result feel that more should be done for them multilaterally. But there has been no consistent view that I have been able to find.

Senator Carter: Mr. Pearson, you spoke earlier about the weakening will to assist these countries particularly in the United States, and you have intimated that one of the reasons was that their aid was not particularly appreciated. They got kicked in the teeth once in a while, and the hand that fed them got bitten. We hear a lot about greed and corruption, that this aid gets into the wrong hands. I wonder how big a factor that is.

Right Hon. Mr. Pearson: I do not know how big a factor it is. I have heard a lot about it. When there is greed and corruption you do hear a lot about it. Of course, there is a certain amount of corruption. However, you have to remember that the social, economic and political organization of some of these states, especially the social organization, goes back a thousand years. They have their own way of doing things and you are not going to change them overnight. Some of these methods apply to a great many aspects of human activity, not only in the field of foreign aid, so, while there is the unhappy situation that money which is meant for aid sometimes gets into the wrong hands, it is easy to exaggerate the significance of this. If you are indifferent to or are rather hostile to the idea of foreign aid at all, then it is easy to point out examples of luxurious living in some very poor countries which would be quite impossible for any of us in this room.

Senator Carter: You said you had to formulate some sort of rule-of-thumb definition of an underdeveloped country, and you came up

with the definition where the income was less than \$500 U.S. per year. I gathered from your statement that your terms of reference did not include communist developing countries.

Right Hon. Mr. Pearson: But it did not exclude them. It is to examine the whole aid and development experience over the last 20 years throughout the field. However, it is a little more difficult to examine it in some countries than it is in others.

Senator Carter: I would think that definition would include Red China, and the question in my mind is this: Red China is putting forward tremendous efforts, and there seems to be the possibility that in some lines they may succeed in moving from a pre-industrial economy to a post-industrial economy, bypassing the industrial revolution that the affluent countries went through. I wondered if you had any idea as to the prospects of that happening in the case of Red China, and what the impact would be on world trade.

Right hon. Mr. Pearson: I have not very many views as to the prospects of it happening, because I do not know enough of what is going on in China. But there is no doubt they would like to jump from the pre-industrial age to the technotronic age, without an intervening stage of industrialization. If they succeed in doing that, they will be the only country that has ever managed to do it, and I think they will probably have their troubles. However, were they successful in by-passing or shortening the industrial period and in going into what the experts call the technotronic society, the effect of that on their position in Asia would be very considerable. I think that is a pretty safe statement to make.

Senator Carter: I think Senator Martin asked you a question about the total amount of aid, and I was not quite clear if I took your answer down correctly in my notes, whether the external aid totals now around \$44 billion, or was it \$10½ billion?

Right hon. Mr. Pearson: These figures are not final. There are difficulties about calculating them because, as I have said, what do you include in aid? However, the figure usually given for 1967 is about \$10 billion, \$10½ billion, and they expect that in 1968 it will be \$11½ billion transferred.

Senator Carter: You are talking about dollars now?

Right hon. Mr. Pearson: Yes, American dollars.

Senator Carter: If Canada, say, gave a gift of wheat, is that translated into dollars and added into it?

Right hon. Mr. Pearson: Yes, we would include that in our aid figures. We would put a valuation on it. It would come out of our aid figures—in Canada, which I am talking about now, and I suppose other governments would be the same. I am not sure what would happen if it were done as famine relief, but I think that such transfers have been included in our figures.

Senator Connolly (Ottawa West): OECD does, in any event.

Right hon. Mr. Pearson: Yes.

Senator Haig: Even export credits.

Right hon. Mr. Pearson: Yes, even export credits, and even short-term suppliers' credits, even for one year, have been included by some countries in their figures of aid. They get a pretty good return from those credits too. There is a good deal of complaint in certain developing countries about being told they are getting a certain amount of aid, when much of it not only helps them but also helps the donor country just as much.

Senator Carter: As an affluent country, we spend a large portion of our budget in non-productive activities. You might take the money we spend on defence. It is not going into the economy, except for what we manufacture ourselves, but usually a lot of that money does not produce any wealth.

Right hon. Mr. Pearson: Neither does an insurance premium!

The Chairman: Agreed.

Senator Carter: These countries want to sell us their goods, and we do not buy them because they are cheap and the quality is poor. We have many reasons, including that it would interfere with our own industries. But if we did buy their products, even if we only burned them afterwards, it would only be another unproductive expenditure. I am just wondering if we should not be thinking in terms of buying what we can from them, even if we give the purchases away afterwards to somebody who can use them.

Right hon. Mr. Pearson: I think we have to be thinking in terms of increasing our imports from developing countries, if we are serious in saying we want to help them develop.

I hope we do not have to import things to burn afterwards, because these countries are making very good manufactured products now. One of the ways in which they can look after themselves in the future is by increasing their productivity and export of manufactured goods, and not merely agricultural products.

Senator Carter: They want us to buy to keep up the world price of their goods. This is susceptible to demand, and if we do not buy them, if the demand goes down, their prices go up. You spoke of peanut oil.

Right hon. Mr. Pearson: That is a primary product. We have found out, for instance, in our travels that Singapore, a very interesting country, is at a stage of development in which it is approaching the take-off. It has achieved that position in the last four or five years, which has been a remarkable achievement. I do not know—what is it?—two million people have done that in such a small territory. As I say, it is approaching the take-off stage, some Asian countries are now investing money—I think of Japan—in Singapore because they can produce in Singapore more cheaply than they can in Japan. So they are building up Singapore and are at the same time making profits for themselves. It is unwise and dangerous to be dogmatic in this matter of development and how it is going to occur. It was not very long ago that Japan built up its own wealth, by its own efforts until now it has the third largest Gross National Product in the world, next to the United States and the Soviet Union.

Senator Martin: Mr. Pearson, I would like to point out that senators are never dogmatic!

Right Hon. Mr. Pearson: They began their development by learning techniques, not from technical missions to larger countries, but by themselves learning western techniques and applying those techniques to rather simple manufactured products—silk goods and things like that. Yet, Japan now imports silk because it has found that in the course of development it has been able to switch to other products of a more highly sophisticated industrial character which other Asian countries were not able to produce, and which it could produce more cheaply than Western countries. Instead of relying on silks and textiles, although Japan is still producing those, they are now building 400,000-ton tankers. And they made the switch through their own effort and their own economic abilities. Sin-

gapore has not the resources of Japan, of course, but it is applying that technique to its own problems.

Senator Carter: I should like to observe that what Mr. Pearson has said indicates that rather than having every country developing its own aid program we must have a co-ordinating agency.

Right Hon. Mr. Pearson: I could not agree more, but I cannot think of anything more difficult. That does not mean that we should not try to do it, but because of factors in the aid policies of various countries that are not primarily or directly related to world economic development I doubt whether those countries would be willing to subordinate their own policies to the efficiency that we would hope would come from that type of organization.

Senator Grosart: The consortia are doing it to some extent.

Right Hon. Mr. Pearson: Yes, they are to some extent.

Senator Macnaughton: I just want to say on behalf of us all that we are very happy to be here with Mr. Pearson, and to see him in such good health and speaking in his usual interesting fashion. He threw out a suggestion to private investment, and as a preface to my question I should like to say that all of us know the growth in size of large international corporations these days, with their real ability to invest money, to set up units to train the people who are necessary, and to produce various things. On the other hand, they run head on into a great deal of petty interference by the governments of the countries in which they locate. There is the question of stability, and the question of local customs that are not easy to change, and many of these corporations would certainly like to have a guaranteed return on the funds invested. They cannot take their shareholders' money, stick it in some place, and lose it. What new element has arisen that would lead you to think that private investment can now step into this picture?

Right Hon. Mr. Pearson: Well, there has been a good deal of consideration given by the big corporations which now meet together from time to time as to the role that private investment can play. There has been an emphasis at these meetings on not only the gain that comes to corporations through pri-

vate investment abroad, but on the responsibility they have in the development of the countries concerned. There has also been an examination by the United Nations of the role of private investment headed by Dirk Stikker, who used to be Foreign Minister of Netherlands. He has produced a very interesting report, and there was recently a meeting to discuss that report between government representatives and private trade and investment representatives at Amsterdam. Our commission has a representative there.

There has been a very responsible approach by business in the last year or two to the problems and the opportunities of private investment. By the way, the cumulative direct private investment in developing countries is now about \$35 billion. I mentioned earlier some of the burdens of this, as well as some of the opportunities, but 50 per cent of that is in Latin America, and only 14 per cent is in Asia where it is probably needed most.

I think that the role of private investment can be very important, but only if it is carried out by the private interests concerned with due regard for their responsibilities to the development of the countries, as well as to their shareholders. It seems to me that they are more and more conscious of this fact, and that there are more and more international development companies or agencies being established.

So, I think this can play quite a part in the future. We find in Latin America that there is the same kind of uneasiness about some of the political aspects of private investment that are found in more enlightened countries further north.

Senator Grosart: What percentage of the \$11 billion is private?

Right Hon. Mr. Pearson: \$3 billion plus—about one-third. As I said, nearly half of this comes from the United States, and about one-third of the American investment—I am not sure whether this includes other investments as well—is in petroleum products. Sometimes that does not help the people of the developing world very much in a direct way.

Senator Grosart: Canadian aid is almost totally official?

Right Hon. Mr. Pearson: Almost totally.

Senator Macnaughton: But is there a growing awareness on the part of the countries receiving this private investment of a reciprocal duty to provide investors with some sort

of security? For example, I know of a large international firm which was set up by invitation in India. They have had nothing but trouble ever since. They have difficulty in getting the necessary imports, and they have difficulty in respect to making the local customary deals that have to be made. Yet, their basic intention is to assist.

Right Hon. Mr. Pearson: Well, they know, of course, that if they are to get private investment they have to treat that investment fairly in their own countries. We have learned something about this. In Rawalpindi, Delhi, and Singapore we had meetings with private businessmen and bankers of Asian countries. We discussed with them the role of private enterprise and the difficulties that are encountered not only by them as domestic investors but at times as agents of international corporations. I know the difficulties to which you are referring, and I know the difficulties on their side. One of the proposals put forward recently is that the governments should insure private investment in developing countries. Some consideration is being given to that.

Senator Macnaughton: I have one further question, and it will be short. While coming to Ottawa this morning I ran into the Speaker of the Senate. He was very interested in the Communist slogan throughout the world "Food and Shelter". He did not ask me, but he implied that I might ask what we on our side are doing to publicize the efforts that we are trying to make for and on behalf of the recipient nations. How do we publicize them?

Right Hon. Mr. Pearson: I do not know whether I can answer that. At least I think we publicize it as much as they do in the communist countries. I think you hear as much in developing countries, if not more, of the assistance they are getting from the non-communist world as that from the communist world. Some of our publicity however—by which I mean that of non-communist world—is not always of the best kind. The communists have been very skilful in their attitudes, in their activities in these countries, to which they send technical assistance. But I do not think we should complain that they are getting more and better publicity than the non-communist governments who have been helping these countries.

Senator Macnaughton: The basic question was: are we taking steps to make sure that some of these efforts are appreciated by the people rather than the officials?

Right Hon. Mr. Pearson: If I can speak as a Canadian, where we are doing work in these countries—I am thinking of our young people, CUSO and the technical people who are out there, quite a lot of whom I met on my trips, and I tried to meet them wherever I went—in the kind of projects we have assisted with we do not run the risk of being suspected of having any other consideration than development; we have no political axe to grind. I think that kind of thing has made the Canadian effort in these countries not only well-known but greater appreciated. We have made mistakes too. We have helped them in projects that did not turn out very effective from the development point of view. However, I often heard expressions of appreciation, and very deep appreciation, by government representatives in Africa and Asia of what Canada had done, and what other countries, middle powers, had done.

They have a feeling that they can deal with us without being subjected to pressures to which they feel they might be subjected if the aid came from very, very powerful countries, or from ex-colonial countries. Perhaps we are getting credit for virtues and merits that we may not possess, but we get a lot of credit for it just the same.

Senator Cameron: I have three questions. The first is: to what extent are non-governmental agencies involved in the distribution of aid programs?

Right Hon. Mr. Pearson: I do not know of any non-governmental agencies that are involved in the distribution of official aid at all. There may be some but I just do not know of any.

Senator Cameron: I am thinking of getting the most effective utilization of aid within a country. I think it is essential that it be done by more than government agencies. The government agencies may take the initiative, but I am wondering to what extent we are trying to involve others.

Right Hon. Mr. Pearson: I can say something about that in terms of our African experience, where we have done a great deal through the universities, not only directly between governments and the universities in question, but by a Canadian university working with a local university and getting government help in doing it. I am thinking of Kenya, Uganda and Ghana.

Senator Cameron: Ruanda.

Right Hon. Mr. Pearson: Ruanda particularly. I would think we are using these non-governmental institutions as much as possible. It depends so much on the attitude of the government of the country concerned. Very often these non-governmental institutions, like Makerere University in East Africa, are pretty close to the government.

Senator Cameron: I suppose, too, in some of the newly developing countries, the non-governmental agencies are not long developed.

Right Hon. Mr. Pearson: Yes, I suppose that is true.

Senator Cameron: The next thing is this. You quoted statistics, and I may say that I am encouraged by one statistic that you quoted, which was that these countries are 94 per cent self-supporting; that is, they are producing 94 per cent of their own resources.

Right Hon. Mr. Pearson: A little more.

The Chairman: Ninety-six per cent.

Right Hon. Mr. Pearson: Ninety-six per cent was the figure given. These figures come from the best sources I can find, and they show that 96 per cent of the income of developing countries comes from the results of their own policies, and four per cent from the transfer of resources from outside.

Senator Cameron: I did not think the picture was that good, but that leads to the next question. Are you satisfied with the comparability of the statistics?

Right Hon. Mr. Pearson: No.

Senator Cameron: What is being done to make them comparable? Otherwise the thing falls apart.

Right Hon. Mr. Pearson: I do not know what can be done. We have international meetings on statistics and we try to coordinate and unify them. The United Nations has done a lot of work in this field, but it is extremely difficult, especially in some developing countries. To find the gross national income, for instance, in a country where perhaps 50 per cent or 60 per cent of the income attributed to a farmer or peasant would not be in money terms at all, and an estimate has to be made of how much is non-monetary, that is difficult. How much satisfaction—a

form of income—is got out of lying under a palm tree, reaching for the fruit to eat, and enjoying a warm, sunny day. A man may not even need shelter because the sun is always shining! How much for that should be added to his cash income of \$10 a year? In these countries they are having a great difficulty in establishing statistics, but they do the best they can and are getting technical assistance from countries through statistical missions.

Senator Cameron: It is like trying to put a value on psychic income. Senator Carter touched on my third question, which is: what are the chances of making it possible for developing countries to expand their export trade? If they are not able to do that—and the UNCTAD experience has not been very helpful—if they are not able to expand their exports and get money to buy from us, are we not just on a merry-go-round and going to get worse rather than better?

Right Hon. Mr. Pearson: That is exactly what they tell us, that we must help them in trade. By that they mean we should help them by international commodity agreements, some of which are in effect and one or two of which are working very well. But they would like more. They say we must help them by giving them access to our markets; that not only do the rich countries not give them preferential treatment, which we should do if we want them to develop, but actually discriminate against them through GATT arrangements, which give preference to developed countries. They are pretty bitter about this.

I am trying to put this in a form which will not put anybody on the spot in these countries. I was told in one country: "You people in the rich countries"—he was thinking particularly of North America—"will hand us \$100 million, \$200 million or \$300 million a year of foreign exchange to help us in our trade balance. Part of it is to be used to build up a textile industry in our country, because you tell us that if we are to develop we have to develop our exports of manufactured goods, especially of those where we have had experience such as textiles. But as soon as we sell textiles in your markets you ask us voluntarily to reduce our exports to your markets or put obstacles in the way of the sale. Your answer is that it is easier to give us \$100 million than to receive our shirts". This does not impress them very much.

Very often it was pointed out to us that the arguments we use in our legislatures—which

applies to nearly all the dollar countries—to get the kind of aid appropriation the government would like from Parliament, from the legislatures, is that this is going to open a market to us and increase our export trade. They read these arguments in their own countries and lose some of their respect for our altruistic motives in helping them. My reply to that kind of complaint, and I got it from a good many, was, “Well, look, we do this in the western countries with the best of intentions because we want to get more money for international aid. This is a good argument and after all if it happens to help us as well as help you, you should be very grateful. Even if out of a \$100 million we get \$50 million benefit, you get the other \$50 million. That is better than not getting any at all. Perhaps if governments cannot use this kind of economic advantage argument before congresses and legislatures they may not be able to get \$3 billion- or \$4 billion-appropriations.” That is the other side of the problem.

Senator Cameron: Is this not the crux of our big problems to try and find the formula to which you can stimulate their productivity and give them work and so on without getting into a tangle on imports?

Right Hon. Mr. Pearson: That is quite true. One of the ways in which perhaps we can make the most progress in this matter in the future is by developing the technique of concessional loans and by using IDA, which is a branch of the World Bank and also the African and Asian regional banks, and giving them more funds in this way.

This has turned out to be a very good device from the point of view of developing countries. They are borrowing, but at a low rate of interest, a concessional rate of interest over a long-term. This reduces the burden of debt on them and they feel better by getting the help in that way.

I was very glad indeed to learn, when I was abroad, that the IDA, which I think is an increasingly important multilateral institution in this field, and had pretty well run out of funds, had obtained new commitments. The President of the United States had sent to Congress a request for \$160 million for the replenishment of IDA and it had been passed, I believe, by Congress. This was a very good sign and cheered people up in these countries. Also, after the recent meeting of the Asian Development Bank I had a talk with Mr. Watanabe, the President of that bank. I also

talked to the Vice President of the African Development Bank, which is a good organization. The founding members of this bank decided they would try to work out a regional development bank which would depend only on African countries for its support and therefore would not have to have membership outside of Africa. They have got a very good African bank with a very fine African membership and a very good African director, but they have little money. They are beginning to re-examine the situation.

Senator Cameron: I have a comment rather than a question. It relates to trying to put a value on the export of know-how. I have just come back from three weeks in the Middle East, where you get a graphic illustration of what the Israelis have done with not only the American know-how but know-how from everywhere. They have brought in know-how and made a tremendous change. The Arabs are still back in the sixteenth century. This is one of the most graphic illustrations of what a poor country can do with the importation of know-how from other countries. It seems to me that this is one of the most productive kinds of export we can give.

Right Hon. Mr. Pearson: I quite agree and I am glad that the percentage of appropriations from various governments, devoted to technical assistance, is going up. I am also impressed by the fact that while there were a many mistakes made in this field in the early years, those mistakes are being corrected and the kind of technical assistance that is being carried on now is more helpful to these countries than in the earlier years. There was a question of learning by experience. You cannot put a value on these efforts. In our statement of expenditure we put a dollar figure which covers the salary and expenses of people doing the job. But when somebody invents something that may add $\frac{1}{2}$ per cent to the national income of a country, you cannot put an evaluation on that. The men who discovered this new wheat and rice strain, what is the value of their work in terms of external aid? Hundreds and hundreds of millions. Technical assistance is, I think, an increasingly productive way of helping these countries. It is also becoming increasingly difficult to get the right people for the work when our own economists are active, the kind of people you want for work abroad is in many cases the kind of people who have a lot to do at home. Representatives of these developing countries often spoke to us about sending out the retired technicians and executive types who

would be able to help them. This is being done more and more. Of course, there is a very important part of technical assistance devoted to education.

Senator Thorvaldson: Mr. Pearson, I think my main question was covered really by your answer to Senator Cameron's last question. I would like to say that I, and I am sure everybody else here, realize the tremendous importance of the work that your commission is doing. Since our time is about up, my only question was going to be this: would you give us just a brief review as to your colleagues on the commission and how you operate. I think this would be of great interest. I do think that the work you are doing is of tremendous importance.

Right Hon. Mr. Pearson: The way we operate, as I have said, is by the chairman visiting many of these countries—he cannot actually visit every country—and setting up shop in a capital where people can come, representing neighbouring governments. That exercise has been almost completed. I have one more meeting in Ankara, which is for the Mediterranean countries and this will be held in the early part of June. In between I report to the full commission as to what has been going on. When we have our full commission meeting, and we are having one in Copenhagen, Denmark, in a few weeks, the commission will go over, not only the results of my travels, but the work done by the experts and economists in the office in Washington who are doing drafts of the report.

I appointed our staff incidentally, before I asked men to join the commission, because the staff are the people who matter in a job of this kind. We have got extraordinarily good people from all over the world, 12 or 14 from various continents. I told them last September that I thought it was time to start writing their report right away; to begin chapters 1 and 2, that if eventually we have to write a different report we would have something to work on. They are doing that.

If we meet in Denmark at the end of this month or beginning of June it is merely because we chose Copenhagen as a central place to meet. We have met in Rome and in Mont Gabriel, in the Laurentians. We will go over drafts of chapters in our report in the light of information that we have ascertained and will modify those drafts accordingly.

The commission consists of Roberto de Oliveira Campos, a former Minister of Finance in Brazil. He was in Washington before that and I believe was also a banker. We have Douglas Dillon in New York, who was Secretary of the Treasury and a man named Edward Boyle, the Minister of Education in Mr. MacMillan's Cabinet years back. We also have Rober Marjolin from Paris, who is a professor at the Sorbonne university, and was earlier Secretary of the OECD. We have also a German, Wilfried Guth, who is the head of the Kredit Anstalt Bank; a Jamaican, Arthur Lewis, who lived and worked in Africa and who is a professor of Economics at Princeton University. He is very able and experienced in this field and is perhaps the outstanding authority in development of economics in the world. I do not think that is an exaggeration. There is a Japanese, Dr. Saburo Okita, head of the Japanese Economic Research Agency in Tokyo. It is a very good group. Our Secretary General, who has a very key job, is a young man named Edward Hamilton who was, before he took on this job, a liaison officer between the White House and Congress on aid and development questions. He has had much experience in a very important field.

Even if our report is a masterpiece—and I do not know whether it will be—and even if our recommendations are very important and far-reaching and deal with a problem of vital significance to the future of the world, those recommendations will not be of any value if governments do not feel they should be implemented. So it is important, not only to write this report but to make an impact on people who will have to carry it out.

Senator Thorvaldson: Is this the first review of this kind that has been made during the last forty years?

Right Hon. Mr. Pearson: It is the first review of the kind that has ever been made. There have been four or five commissions working in the United States in the last two or three years, reviewing their own aid program, and we have been in touch with some of them. There has also been a United Nations review of the United Nations activities in this field. The Inter-American Bank is reviewing aid and development problems in its area. But I think this is the first time there has been a review of the whole field of aid and development. That is why it is such an overwhelming problem.

As we were not appointed by the United Nations, the people there must have won-

dered at the beginning what business we had going to New York and asking them how they are doing this an how they are doing that, because we have no authority to examine their activities but we have kept very close touch with them and with the work they are doing in this field, and I believe they welcome our activities.

Senator Martin: You would expect that the OECD would make a review?

Right Hon. Mr. Pearson: They make a review every year, but it is from the donor point of view. They make a annual review and a very good one, and the banks review the subject from time to time.

Senator Connolly (Ottawa West): Not only have I one or two questions which can be answered very quickly by Mr. Pearson, but I would like to say, before I ask him those questions, that at the last meeting of the Commonwealth Parliamentary Association, the appointment of his commission and the chairmanship he was going to give to it, gave particularly the developing countries a great deal of pleasure and they were delighted with the prospects. So, in addition to being welcomed by the Senate, you are also highly endorsed by the Commonwealth Parliamentary Association. Could I ask you, first, whether in the consideration of these figures, military aid is included?

Right Hon. Mr. Pearson: One or two countries do include military aid, what I would call military aid. Others include what it would call "defence support". But most countries exclude military aid. So there is no universal rule.

I should point out that the United States excludes military aid from its figures, and the DAC figures from which I quoted exclude military aid. But as to one or two of the DAC countries—one country has figures which, if you examine them very carefully, seem to me to be very closely associated with defence. I do not think I should mention the countries.

Senator Grosart: Or offence?

Senator Connolly (Ottawa West): Mr. Pearson, would it be possible to establish priorities for countries, or is it the intention to establish priorities for countries requiring aid, on the basis of what I might describe as a poverty test or means test or needs test?

Right Hon. Mr. Pearson: I would hate to have the job. It could be done but it would

not be foolproof. This is what I had in mind when I was speaking, and we will have something to say about this in our report, as about establishment of standards of performance and requirements. It would be very difficult indeed. It has been suggested, for instance, that international assistance should be concentrated on those countries which have particularly good performance and who are on the verge of take-off, getting close to take-off; that one should concentrate on those countries.

Senator Connolly (Ottawa West): Of which there are some 20 out of the total.

Right Hon. Mr. Pearson: It would be hard on a country that has made very little progress when the reason for its making so little progress is that it was so extremely poor and to begin with was able to pull itself up only half an inch or so by its bootstraps; and which is liable to sink back again. Therefore, I would see some difficulty in establishing a sort of "bating order."

Senator Connolly (Ottawa West): Thank you. I would ask this last question and I do not ask you to give a prolonged answer. Would you say there is more required for aid in infra-structure sectors of developing countries at the moment than in the productive sectors?

Right Hon. Mr. Pearson: My view, from what I have learned, is that perhaps in the early days it was right to devote such a high proportion of aid to infra-structure. But whether it was right or not, that was what the developing countries then seemed to want. But now, we would be well advised to divert more of our aid to what is called productivity projects rather than infra-structure. That is the opinion of the experts that I have been studying.

Senator Connolly (Ottawa West): Then you immediately qualify that by talking as you did in reply to Senator Cameron's question about the need for an outlet for their products.

Right Hon. Mr. Pearson: Yes.

Senator Connolly (Ottawa West): Thank you very much.

Senator Martin: When you were Prime Minister you announced a principle of support for the creation of an institute of development, to provide research, continuing

examination by experts, of this tremendous problem which is I suppose the great problem facing us in the modern world. As a result of your examinations and further reflections, do you see an opportunity or a justification for this concept?

Right Hon. Mr. Pearson: Everything I have learned in the last ten months has increased in my mind the importance of an institution of this kind.

Senator Martin: For location in Canada?

Right Hon. Mr. Pearson: I would hope it would be in Canada, but wherever it is located I think it would be of the very greatest

importance. I know that the fact that we have been talking about that kind of agency in Canada has been received with a great deal of attention; and nearly every country we went to in Africa and Asia asked me to explain what this was and how important it would be. So I feel very strongly about the value and utility of this kind of institution for research and development, even more than I did before.

The Chairman: Mr. Pearson, as I said at the outset, in very simple terms—welcome; I would like to say now, in conclusion, thank you very much.

The committee adjourned.

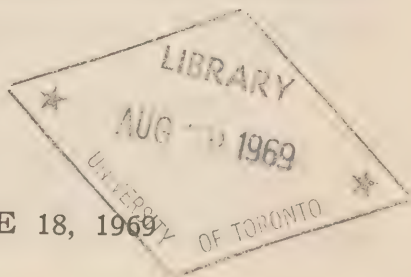


First Session—Twenty-eighth Parliament
1968-69

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable Gunnar S. Thorvaldson, *Acting Chairman*

No. 7



WEDNESDAY, JUNE 18, 1969

Respecting
THE CARIBBEAN AREA

WITNESSES:

From the Department of Industry, Trade and Commerce: Mr. T. M. Burns, General Director of Office of Area Relations; Mr. G. Schute, Director, Industry, Trade and Traffic Branch; Mr. R. B. Nickson, Director, and Mr. C. L. Bland, both of the Commonwealth Division, Office of Area Relations.

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin
(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

* * *

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

* * *

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine,

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

Extract from the Minutes of Proceedings of the Senate of Canada—Wednesday, 18th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting today.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 18, 1969

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 3:25 p.m. this day.

Present: The Honourable Senators Belisle, Cameron, Carter, Eudes, Fergusson, Gouin, Grosart, McElman, Pearson, Phillips (*Rigaud*), Quart, Robichaud, Sparrow, Thorvaldson and Yuzyk.—(16)

In Attendance: Mr. Bernard Wood, Research Assistant to the Committee.

Due to the unavoidable absence of the Chairman (Senator Aird), on motion of Honourable Senator Belisle, the Honourable Senator Thorvaldson was selected to be the Acting Chairman of the Committee during the Chairman's absence.

Agreed on division—That the Committee seek authority to sit while the Senate is sitting on June 25, 1969.

The following witnesses were introduced and heard:

From the Department of Industry, Trade and Commerce:

Mr. T. M. Burns, General Director of the Office of Area Relations; Mr. G. M. Schute, Director Industry, Trade and Traffic Branch; Mr. R. B. Nickson, Director and Mr. C. L. Bland, both of the Commonwealth Division, Office of Area Relations.

Agreed that a document entitled "Canada—Commonwealth Trade and Economics Relations", which was submitted to the Committee, be printed in the Committee's records (*See Appendix "B" to Today's Proceedings*).

At 5:05 p.m., the Committee adjourned until 4:00 p.m., Wednesday, June 25, 1969.

ATTEST:

E. W. Innes,
Acting Clerk of the Committee.

THE SENATE

SPECIAL COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Wednesday, June 18, 1969

The Special Committee on Foreign Affairs met this day at 3.00 p.m.

The Clerk of the Committee: Honourable Senators, due to the unavoidable absence of your Chairman, the first business is the appointment of an Acting Chairman.

Senator Belisle: I move that Senator Thorvaldson be appointed.

Senator Grosart: I second the motion.

The Clerk of the Committee: It is moved by Senator Belisle and seconded by Senator Grosart that Senator Thorvaldson be appointed Chairman on an acting basis, during the absence of the Chairman.

The Hon. Senator Gunnar S. Thorvaldson (Acting Chairman) in the Chair.

The Acting Chairman: Senator Aird had intended to have two meetings of this committee next week if possible. We would like to seek a motion now requesting that this committee be authorized to sit next week during the sittings of the Senate.

May we have that motion?

Senator Belisle: Before the motion is made, Mr. Chairman, I would say that we have many meetings next week.

Senator Yuzyk: This is with reference to the Science Policy Committee, of which I am a member. I have not been able to attend this committee, which I would like to attend, because we are having meetings of the Science Policy Committee at the same time.

Could some suitable time be found so as to avoid this conflict?

The Acting Chairman: Yes, I think if you will be so good as to leave it to the Chairman he will try and find a suitable time. We certainly do not want to conflict with other committees and, indeed, we might find it impossible to meet next week. If so, then we will have to be governed by circumstances.

Senator Grosart: Mr. Chairman, may I observe that we will be very busy in the Senate next week. It will be the last week and I wonder if it is wise for us to sit while the Senate is sitting next week.

The Acting Chairman: Perhaps we might consider that at the end of this meeting.

Senator Robichaud: Also, Mr. Chairman, referring to the Science Policy Committee, we have six or seven meetings scheduled for next week, a number of these while the Senate is sitting.

The Acting Chairman: I must say that this meeting was scheduled for this hour because it was expected that the Senate would not sit.

Honourable senators: Senator Aird has asked me to convey to you his regrets that he is unable to be present at our meeting today. I assume that all members have received Senator Aird's memorandum outlining our program for the remainder of the session. Just to confirm this, these are notes left with me by Senator Aird. The Honourable Allan MacEachen will be with us next Wednesday, June 25th, at 4 o'clock in this room. We are looking into the possibility of organizing a meeting on the afternoon of Thursday next week with the Canadian International Development Agency.

I believe you have also received the commentary on the departmental papers prepared by our researchers. I think we are all interested in seeing how useful this material will be. If members have suggestions to make regarding this material please speak either to me or to Mr. Dobell or Mr. Wood.

Today's meeting will undoubtedly be one of the most important of our whole inquiry into Canadian relations with the Caribbean region. As you know, the Honourable Jean-Luc Pepin was scheduled to be with us this afternoon. Unfortunately, an important meeting has suddenly been called in Washington to consider the international wheat situation, and it was obviously essential that he attend.

As Mr. Pepin also has to be in Washington next week, we could not arrange an alternative meeting. Nor did we want to wait for the information until the House reconvenes in the autumn.

We are fortunate that one of the best qualified senior officials of the Department of Industry, Trade and Commerce, has been willing to replace Mr. Pepin at short notice.

Mr. Tom Burns, as general director of the Office of Area Relations, is the man chiefly responsible for co-ordinating our bi-lateral trade relations with all countries. He is therefore admirably equipped to explain and elaborate on the very substantial reports prepared for us by the Department.

Mr. Burns joined his Department in 1947. From 1948 to 1968 he was attached to the Trade Commissioner service of his department and served in various posts around the world. From 1965 to 1967 he was a member of Canada's delegation to the Kennedy round negotiations in Geneva. He was appointed to his present position last year.

On behalf of the committee I would like to extend a very warm welcome to Mr. Burns and tell him that we are looking forward to a stimulating discussion.

Mr. T. M. Burns, General Director, Office of Area Relations, Department of Industry, Trade and Commerce: Mr. Chairman, Honourable senators: Thank you very much, Mr. Chairman, for your kind words.

First of all, the Minister asked me to present his regrets that he was not able to be here this afternoon. He would have very much liked to have had the opportunity of discussing the Caribbean with your committee but, as you know, he has been called out of town.

Before I begin I would like to take the opportunity, Mr. Chairman, of introducing some of my colleagues who are here as well as one or two of whom may want to participate in the discussion.

First of all, Mr. Nickson, who is the director of the Commonwealth Division of the Office of Area Relations in our Department. Mr. Bland, one of the officials of the Commonwealth Division, and Mr. George Schuthe, Director of our Industry, Trade and Traffic Branch, who is our Departmental expert on shipping, among many other matters.

Mr. Chairman, I do not have a general statement to make. I believe the Department has supplied a good deal of background information on the Caribbean. If you want to begin with the questioning we would certainly be glad to do what we can.

Senator Pearson: Could you give a brief review, without going into detail. We have so many committees it is hard to keep up with all the briefs that appear before us now.

The Acting Chairman: I think that would be very interesting, if you could begin with a general statement of the matters that you came to express to us. Based on that I think it would be easier for the members of the committee to ask questions of you.

Mr. Burns: Very well, Mr. Chairman.

In historic terms Canada's relationship with the countries of the commonwealth Caribbean are probably closer than with any other part of the developing world. They cover a very broad range of subjects: Trade, investment, aid, tourism, migration, transportation, education and, of course, common membership in the Commonwealth.

Canada has had very long-standing trade relations with the area, which are incorporated in the 1925 Canada/West Indies Bilateral Trade Agreement, which was brought up to date by a Protocol signed on the occasion of the Canada-Commonwealth Caribbean Prime Ministers' Conference in 1966.

It is generally accepted that the trade and economic links between Canada and the Commonwealth Caribbean form the essential substance of the special relationship which has existed between those two areas of the world.

The complementarity of Canadian and West Indian economies which triggered the early trading links remains an important factor in the current trade between the regions.

Those early commercial exchanges, Canadian flour, salt cod and lumber for West Indian sugar, rum and molasses, still form an important element in our current trade.

In 1968 the level of that trade on a two way basis reached nearly \$200 million, with Canadian exports slightly larger than our imports from the commonwealth Caribbean.

Senator Phillips (Rigaud): Mr. Chairman, may I direct a question, because I think it will help us:

In referring to the Caribbean area do you include any part of the south American mainland, any of the northern countries?

Mr. Burns: Senator, I was really referring to what used to be the British West Indians, the islands of the Caribbean that are members of the Commonwealth, either self-governed or still territories that are subject to the overall jurisdiction of the United Kingdom.

Senator Phillips (Rigaud): It does not cover British Guyana, which is on the mainland?

Mr. Burns: I should have added British Guyana and British Honduras in the description of the islands; thank you.

Canadian banks and financial institutions of course played a long standing and important role in the economic development of the Caribbean region. In addition there has been a good deal of industrial investment in the Caribbean which has reached something over half a billion dollars. Of course, the leading elements in that investment have been the investment in bauxite and alumina production in Jamaica and Guyana, but it also covers a wide range of secondary manufacturing services and tourist facilities.

The Canada-Commonwealth Caribbean Prime Ministers' Conference in 1966 was an important milestone in the development of closer consultation and co-operation in trade and economic relations between Canada and the West Indies.

This Conference provided an opportunity to define and make more effective the special relationship. It established a new basis on which to work towards a furthering of this relationship.

The trade and economic element of that Conference was of great importance. A separate Trade Committee, at the ministerial level, worked throughout the Conference examining, first of all, the contractual framework of the trading relations between Canada and the West Indies; specific commodity areas, such as sugar, rum, bananas, wheat, flour and salt cod; the question of shipping facilities; and finally the need to establish better consultative arrangements to pursue discussion of bilateral trade and economic matters.

One of the trade results of that conference was incorporated in a Protocol which provided, among other things, an agreement to

examine the 1925 bilateral agreement with a view to its further amendment or re-negotiation in the light of the results of the Kennedy Round.

The waiving of the direct shipment requirements so that either Canadian or Commonwealth Caribbean goods may now be transhipped and still qualify for preference as long as a through bill of lading accompanies the shipment.

Finally, provisions regarding access for commodities of special interest to both sides, including rum, bananas, wheat, flour and salt cod. A consultation provision in respect of industrialization measures substantially affecting the trading interests of either side; the establishment of a standing Committee on Trade and Economic Affairs to meet from time to time at ministerial or official levels.

In addition, at that Conference special arrangements were made to assist West Indian sugar producers.

The Commonwealth Caribbean countries are still basically agricultural, although they are all actively seeking to broaden their economic base. They are heavily dependent on a narrow range of exports, sugar, bauxite, alumina, petroleum, bananas and citrus for earnings of foreign exchange. The bulk of their agricultural exports go to the British market.

Any move by Britain towards accession to the European economic community will have serious implications for that trade.

Tourism is becoming an important source of foreign exchange earnings. In parts of the Commonwealth Caribbean receipts from tourism have now supplanted sugar earnings as the principal source of foreign exchange.

Canadian participation in the growth of tourism in the Caribbean has been sizeable and it is growing rapidly. In 1964, 42,000 Canadians visited the Commonwealth Caribbean; in 1968 more than four times that figure, 171,000 visited the Commonwealth Caribbean area.

Another factor in the present environment of the area is that a satisfactory rate of economic development will require continuing substantial infusions of both capital and management expertise from outside.

Governments of the Commonwealth Caribbean pursue active industrialization policies

both for economic development and to help to deal with serious unemployment problems.

Competition for the region's growing import market is sharpening. The United States, Britain and Canada are the principal suppliers to the area's import market of nearly a billion dollars.

It is becoming increasingly recognized that the individual island economies are too small to form a viable economic base. Attempts which began in 1958 to form a federation were not successful.

However, just a year ago the Commonwealth Caribbean joined in a Caribbean free trade area, CARIFTA. Intra-area trade is expanding. Although joined in this general free trade area, covering the region as a whole, individual Caribbean countries are exploring new commercial links with other regional economic groups in the western hemisphere.

Trinidad and Barbados are members of the Organization of American States. Jamaica is considering a formal application to join that organization. There has been some consideration, mainly in Jamaica, of the possibility of association with the EEC, should Britain join the common market.

Trinidad has expressed interest in closer relations with Venezuela and with the countries of the Latin American free trade association.

In terms of Canada-Commonwealth Caribbean trade relations, the old complementarity of economies, while still a significant basis for trade, is undergoing changes. The trade patterns are changing to reflect the developing economies on both sides.

The growing industrial sector in the West Indies is opening up attractive opportunities for Canadian exporters of capital equipment, plant machinery, industrial raw materials and fabricated parts and components.

West Indian imports of these commodities are increasing significantly and will continue to do so as the industrialization process continues. For example, Canadian companies have been successful in selling telephone equipment to Jamaica and Trinidad and aircraft to Guyana.

The tourist industry also presents excellent opportunities for sales of sophisticated consumer goods and foodstuffs not produced

locally. There are also good opportunities for Canadian firms in the field of technical and engineering services. For example, new airport and tourist facilities.

A Canadian company recently won a two and one quarter million dollar contract to supply all the interior furnishings and equipment for five different hotels in Barbados. A Canadian consortium is actively negotiating for the construction of new airport facilities worth some \$10 million in Barbados.

Competition in the area is sharper. U.S. suppliers particularly have been earning a larger share of the total West Indian market. There are signs that the British are re-vitalizing their promotional efforts.

In maintaining Canada's commercial relations with the Commonwealth Caribbean the government first of all maintains trade offices in Kingston, Jamaica and Port of Spain, Trinidad, which actively support Canadian commercial interests. Specialized Departmental officers frequently tour the region to promote the sale of specific Canadian goods and services.

The Department maintains a number of special export development programs, such as the airports for export program, which has been successful, and tourist development. Both of these are active in the Caribbean area.

The government also provides long term financing to assist Canadian exporters of capital equipment to the West Indies. This facility was used by one Canadian firm to help win a \$4 million contract for equipment for a water supply project in the Bahamas. It will also be used to finance the sale of Canadian telephone equipment to Jamaica valued at nearly \$9 million.

When the new legislation now before Parliament to establish an Export Development Corporation is passed the government will have facilities to provide insurance against certain non-commercial risks for Canadian investors in developing countries. This should assist in expanding our already substantial investments in the area.

The Department has been encouraging Canadian business men not to overlook opportunities to enter into licensing arrangements or to establish branch plants in the West Indies.

Experience indicates that where a traditional import market is lost because of the imposition of import restrictions investment is an alternative way for Canadian companies to maintain their participation in the area. The question of investment may become more relevant with the creation of a larger free market area represented by CARIFTA, the Caribbean free trade area.

Of course, the Canadian aid program to the Commonwealth Caribbean has expanded significantly in the last three years. While primarily to assist the economic development of the region, our aid program has a significant commercial fall out for Canadian businessmen.

What can be done to improve our trade relations with the Caribbean? We have the 1926 bilateral Agreement, supplemented by the 1966 protocol. At the conclusion of the 1966 conference it was agreed that the two sides, the Commonwealth Caribbean and Canada, would examine the 1925 Agreement in detail with a view to its further amendment or re-negotiation in the light of the results of the Kennedy round.

We have not yet begun this process of re-examination. However, members of the Committee may recall that at the 1966 Conference it was agreed that a study should be initiated of the possibilities for a free trade area between Canada and the Commonwealth Caribbean.

The Canadian government subsequently commissioned the Private Planning Association of Canada to prepare an in-depth study of the possibilities of such free trade. We are expecting the results of that study shortly.

Free trade would certainly be one of the options which would have to be examined in terms of any real review of our economic relationships. Short of that, of course, there are other options, which would involve the strengthening of the provisions of the present Trade Agreement relations.

One factor which we will have to take into account in any study of new contractual arrangements with the West Indies will be the development of the generalized preference scheme for the developing countries. This scheme which is to be established under the auspices of the UNCTAD, is designed to provide preferences for the semi-manufactured and manufactured products of all developing countries by all developed countries.

This is in the process of development and discussion now.

The question of sugar is, of course, of crucial importance to our overall trade relations with the Caribbean. Canada, in close consultation with the West Indies, actively supported the negotiation of the new International Sugar Agreement which came into effect last January 1st. Already that Agreement is having a positive effect as world prices have doubled to over 4 cents per pound from a pre-agreement low of 2 cents per pound.

In addition, in 1966 Canada instituted a special measure to assist West Indian sugar producers, special annual payments to the region in the amount of the preferential duty on their sugar sales to Canada not exceeding 275,000 metric tons.

As far as rum is concerned, we are in the process of instituting a new agreed labelling regulation which we and the West Indies feel will facilitate the sale of West Indian rum in the Canadian market.

There is a need to maintain and strengthen the dialogue between Canada and the West Indies. In addition to regular contacts at the diplomatic level and periodic Commonwealth meetings, there is a standing Committee on Trade and Economic Affairs, established at the 1966 Prime Ministers' conference, which can meet at the ministerial or official level. There is as well a liaison group established in Ottawa consisting of Commonwealth Caribbean High Commissioners in Ottawa and Canadian officials, which can be called together to deal with specific problems.

Mr. Chairman, that is a quick review of some of the elements of some of our trade and economic relations which may serve as basis for discussion.

The Acting Chairman: Thank you, Mr. Burns. I am sure you will all realize that we have got more detail in regard to our trading relationships with the Caribbean area from Mr. Burns than we have in the past. I am sure your statement has been most useful.

Senator Pearson: I notice in some of these briefs I have read that the United States has been able to offset our sales, or undercut our sales of wheat or flour to the West Indies because they were able to trade and make deals. Our Wheat Board according to rules and regulations cannot make any deals in trading. It has to be a straight cash sale.

Is it not possible that we could have a subsidiary body to the Wheat Board which could buy a block of wheat and then make the deals themselves? That would assist the Wheat Board to make sales in the West Indies in competition with the United States.

Mr. Burns: Senator, if I might just for a moment outline the kind of history of our flour and wheat sales to the commonwealth Caribbean it might help me at any rate to provide an answer to the question you have raised.

The traditional market in the West Indies for Canada has, of course, been flour but if we look at the statistics we see a decline in those exports over recent years. That is really accounted for by the establishment of local flour mills in the various individual islands of the Caribbean.

Senator Pearson: Are these flour mills established by the United States?

Mr. Burns: As I understand it the ones that have been established in the West Indies in this recent period have all been United States owned. However, I think it is true also to say that the Canadian industry had an opportunity, if they had wished to, to consider the establishment of Canadian operated mills in that area.

One of the results of this is that the flour mill with American ownership and management is more familiar with the milling qualities of American wheat than Canadian wheat. So there is a natural tendency to think of the United States as the source of the supply of wheat, rather than Canada.

However, of the agreements at the 1966 Conference here in Ottawa was that the Commonwealth Caribbean would do what they could to ensure fair and equitable treatment for Canadian wheat and flour in Commonwealth Caribbean markets. I think it is fair to say that there have been some advances in the sale of Canadian wheat in the Caribbean.

The figures I have in front of me suggest that in dollar terms we sold something less than \$300,000.00 worth of wheat in 1965 in the Commonwealth Caribbean and sold \$1.7 million worth in 1968. In the first four months of this year the figure is something of the order of \$700,000.00, so that as the flour market has declined somewhat the wheat market is improving. In fact, there is some evidence that we are making inroads into that market.

Senator Pearson: Is that in constant dollars between 1965 and 1968?

Mr. Burns: No, these are in current dollar terms, but it is a five-fold increase over four years.

The Acting Chairman: Mr. Burns, might I say this to you: There was formed in 1966 at the Commonwealth Caribbean-Canada Conference a Trade and Economic Committee which was supposed to meet from time to time. Has that ever met?

Mr. Burns: Mr. Chairman, that committee has met once, in 1967, and has not met since. The 1967 meeting was really convened to carry forward some of the work begun at the 1966 Prime Ministers' Conference. It did a good deal of useful work on the bilateral issues as well as focusing quite strongly on some of the international trade developments of 1967. These issues were such as the later phases of the Kennedy round, the question of the negotiation of the new sugar agreement and so on. That is the only time it has met.

The Acting Chairman: Would the Committee mind if I open up just one other subject which I think you want to know something about resulting from the 1966 Conference.

As I recall it there was considerable talk then between Canada and the various countries that we would look to the question of developing a free trade area. Has anything been done along with that line? Has that been pursued? I understand that that was left to the Canada Planning Association, who asked to make a study of that. Just where does that whole proposition stand at present, Mr. Burns?

Mr. Burns: Mr. Chairman, the Private Planning Association has been pursuing this study. We have been expecting the results of the study over the last two or three months. We now expect to have them quite shortly. We are hopeful that that will be an in-depth study of some of the implications, the pros and the cons of looking at free trade between the Commonwealth Caribbean and Canada.

We have not as a government I think done very much in terms of detailed study ourselves of the various factors and considerations that would have to be taken into account in any move in that direction. We are hoping that the study will form a useful basis on which to begin work in that area.

Senator Phillips (Rigaud): Did you give us a figure of the total trade in the last available fiscal year in the area in question?

Mr. Burns: The two-way trade is just slightly under \$200 million, with our exports slightly higher than our imports.

Senator Grosart: Mr. Chairman, naturally most of the questions that we will be asking today will be concerned largely with the Canadian interest in the Caribbean. I think you would want it said at the outset that the mood of this committee over its past meetings has been that we are equally interested in considering what Canada can contribute as a good neighbour to the viability of the Commonwealth Caribbean economy, not merely in Canadian international development aid, but in other ways.

Arising from that I think the most interesting statement that I have heard or read recently is one which refers basically to the problem of increasing industrialization, of import substitution, of import restrictions and in some cases prohibitions. This is actually from Mr. Bland's paper; the statement reads;

Experience indicates that in many cases where a traditional import market is lost through the various ways investment is the only way that Canadian industry can maintain its participation in the area.

Can you tell us if there has been any significant move by Canadian industry to invest in the Caribbean manufacturing capability in the last few years?

Mr. Burns: Senator, we have not tried to maintain a complete list of the firms we know who either have already invested in the Caribbean or who are interested in investigating those possibilities. However, we do know that there are investments in a very wide range of secondary manufacturing.

The kind of product areas that we have notes on are chemicals, paints, soaps and detergents, optical lenses, switch gear, packaging materials and so on. They are a goodly range.

Secondly I would say that hardly a week goes by without someone coming in to see us who objects to investigate the investment possibilities in the Commonwealth Caribbean and who wants to know something of the economy of the region and the opportunities that are there, the prospects for CARIFTA,

and so on. So I would have thought that there is a good deal of interest.

I would also suggest that this investment insurance facility which will be accorded the new Export Development Corporation when the legislation establishes that corporation will give a fillip to that kind of interest. As you know, that insurance will cover some of the non-commercial risks which sometimes inhibit Canadian firms from considering investment in developing countries.

Senator Grosart: I am not so much interested in the type of investment which seeks merely to exploit the Caribbean market.

I wonder if you see any indication in the kind of investment that you know of as to its having a substantial potential for creating an export market, not necessarily to Canada, but an export market for secondary manufacturing in the commonwealth Caribbean?

Mr. R. B. Nickson, Director, Commonwealth Division, Office of Area Relations, Department of Industry, Trade and Commerce: We have noticed lately, Senator, since the establishment of CARIFTA, that a number of firms have come to us in the last year or so talking about exports to the other members of CARIFTA. In addition to that there are a small number of Canadian firms established in the West Indies who are exporting also to Canada. There is not very much evidence of this developing in a very big way yet, but the potential seems to be there.

Senator Grosart: What kind of product would you see as having this potential of creating an export market for goods manufactured in the commonwealth Caribbean?

Mr. Nickson: Labour intensive industries are the ones that seem to offer the best opportunities here. For example, we have recently heard of a case in the Barbados in the electronic industry. This is not a Canadian firm, but a firm from the United States who have established there to export electronic equipment to the United States.

Senator Grosart: That is what I was afraid of. There seems to be increasing evidence of the fear was expressed to some of us in the Caribbean over the years and has been expressed in this committee, that maybe we are losing out to American enterprise to a fairly alarming extent in the current development of the Caribbean.

Is there any truth in that fear?

Mr. Burns: I would have thought it is true to say, Senator, that the volume of American investment in the Caribbean is a great deal higher than the volume of Canadian investment.

Senator Grosart: In total?

Mr. Burns: Yes.

Senator Grosart: Is this a recent development?

Mr. Burns: I think this is a post-war development. I think it has certainly been quickened by the growth of tourism. There has been a good deal of American investment in tourism, but also in the kind of propositions that Mr. Nickson has just described.

Mr. Nickson: There is also a difference from country to country in the area. The American penetration, for example, in the Bahamas, is greater broadly than the Canadian penetration. This is also true of Jamaica, but in the eastern and southern Caribbean the Canadian penetration, I would not say is greater, but it is proportionately greater than in the northern and western Caribbean.

It is also true that the financial infra-structure in the West Indies is largely Canadian. This is true of the banking system and of the insurance system and so on. This is an important element in terms of getting Canadian participation in the area.

Senator Grosart: But if there is some evidence that we have missed the boat or are missing it, the fact that we had the financial infra-structure there long before the Americans would make the picture look more pessimistic than ever from the Canadian point of view. Is that so?

Mr. Nickson: I do not know about the pessimistic aspects of it, but certainly, as Mr. Burns has pointed out, the Americans are in a more advanced position than we are, both tradewise and investmentwise in the Caribbean in total terms.

Senator Robichaud: As trade between Canada and the Caribbean is closely related to transport facilities, my two questions will have to deal with transport.

First, I would like to bring to the attention of the committee this lease of two twin Otter aircraft manufactured by DeHavilland Air-

craft to the Leeward Islands Air Transport Service of Antigua.

I had the opportunity during the month of May after the regional Caribbean conference to use this service on different occasions going from one island to another. I may recall here one occasion when I was flying from Grenada to Port of Spain. We had to land, however, in St. Vincent and St. Lucia. When we got about 50 feet from the runway all at once the motors started to speed up and up we went again. We heard the pilot say: Sorry, but cars are crossing the runway. As a matter of fact that particular airport crosses the main street of the town. There are gates on each side and they have to wait until the gates are closed before they can land.

I know that we are involved in making those two aircraft available to LIAT, but notwithstanding the fact that this company will repay the capital cost of these aircraft with interest, are we following this operation?

My other reason for asking that is that on every occasion every seat on those planes was taken. There was not one empty seat. I have used the aircraft on four or five different occasions. Are we following up this operation? Do we have means of checking this with the possibility of either extending it or making sure that they are providing a satisfactory service, as we are involved in supplying the aircraft?

Mr. Burns: I do not myself know the answer to that question.

Mr. G. M. Schuthe (Director, Industry, Trade and Traffic Services Branch, Department of Industry, Trade and Commerce): My understanding is that yes, we are very interested in this. I think that perhaps this is a question that the Department of Transport would be able to provide an answer to, but my understanding is that we are quite anxious to see that technical services can be made available if they are requested. The Department of Transport itself is extremely interested in offering expertise if that can improve the climate in the West Indies for air transport services.

This would, I believe, come under the aid heading very largely.

Senator Robichaud: My second question, Mr. Chairman, also has to do with transportation. This one is probably more closely relat-

ed to our trade with the Caribbean. It has to do with transportation by sea.

Now, one of the main questions that was raised during this conference was transportation by sea, the contacts between the different islands. It was really made evident that it had an adverse effect, the lack of such facilities, on trading between the islands.

My question is: What are the existing shipping facilities by sea from Canadian ports and through what particular ports of the Caribbean?

Mr. Burns: Senator Robichaud, Mr. Schuthe is the expert in these matters. He was heavily involved in a very comprehensive survey of shipping between Canada and the Caribbean, which resulted in a report which was given to the Caribbean governments some months ago.

I would like to have Mr. Schuthe reply.

Senator Carter: I wonder, Mr. Chairman, if he could include in his reply the reason why the original service was terminated? We did have a direct steamship line.

The Chairman: Yes, the Lady Boats. Possibly Mr. Schuthe would discuss that situation then, including those matters?

Senator Cameron: At other committees it was said that this is a matter that concerns the Department of Transport. What agency within the government is responsible for having the overview of what all the departments are doing?

Mr. Schuthe: Mr. Chairman and Honourable senators: Perhaps I can try to approach these questions in sequence.

I would first start with the question that was raised about the Lady Boats. I notice certain questions were raised in this paper that was summarizing some of the aspects that you were interested in.

After the war, of course, the Lady Boats were depleted as a fleet. The two passenger ships that remained were sold in the years shortly after the war ended. I suspect that the question therefore refers to the termination of the Canadian National West Indies steamship fleet. In 1957 this consisted of eight ships, three of which were motor cargo ships with very limited passenger accommodation and five of which were small steamships.

The proximate reason for the cessation of service was a labour-management dispute

resulting in a strike by the Seafarers Union on July 4th, 1957, for which there was no settlement.

The fleet was tied up at that time. The estimates of the cost of meeting labour demands were in the neighbourhood of \$450,000 a year additional.

Senator Pearson: When was the fleet tied up?

Mr. Schuthe: July 4th, 1957, Senator. Efforts were made to see if the fleet could be transferred to West Indies registry, but again it looked as if the ships would not get back into operation because of Canadian union opposition. As a result of that and a review of the entire situation the Canadian National West Indies Steamships decided to dispose of the fleet. They were sold in, I believe, 1959—1958 or 1959.

The reasons for taking that action I think were that the ships not only had become very costly and their operation could only result in foreseeable deficits, but also they were not entirely satisfactory for the changed conditions in the trade. New ships would have had to be acquired at heavy capital cost.

In addition to that, other shipping companies were in the trade and gave every evidence of being able to provide a service commercially without subsidization.

Saguenay Terminals, as it was then, Saguenay Shipping Company now, was probably the major commercial steamship line in the trade. It did in fact provide the backbone of the shipping service from the time of the cessation of Canadian National West Indies Steamships' operation up to the present time.

Senator Grosart: Before you go on, could you tell us the total tonnage involved in the eight Canadian National Steamships' vessels and in the Saguenay and other operations?

Mr. Schuthe: Yes, sir. I will have to just make a rough estimate. The three motor ships were in the neighbourhood of 8,000 tons dead weight capacity, somewhere in that neighbourhood, each. The five steamships were in the neighbourhood of 4,000 to 4,500 dead weight tons capacity. That figure is roughly the tonnage of cargo that could be carried in the ships. So that you have three of about 8,000 tons each and five of about 4,000 to 4,500 tons each.

Senator Grosart: How would this compare with the alternative, Saguenay and the oth-

ers? In what proposition of the total did we cancel out?

Mr. Schuthe: Saguenay operate a service which is rather hard to compare in terms just of tonnage. In fact, they had a very large number of ships under charter operations. These ships were used in a very flexible manner, not only in this trade, but in the carriage of bauxite and various trades, later in trans-Atlantic service and also services which are presently still operated from Britain to the Caribbean.

The tonnage of ships actually assigned to the West Indies service I would say was comparable.

Several other shipping lines came into the trade over this period of time, with several ships each. Most of those found it unprofitable and withdrew after a trial period. At the present time though we have in addition to Saguenay Shipping, which provides weekly and fortnightly services to the West Indies, the Royal Netherlands Line combined with a Venezuelan line which run a joint service with about two sailings a month. Also there is the Great Lakes Trans-Caribbean Line providing two sailings a month approximately.

One should also mention I think that there is a trucking service from Canada through Florida that is connecting with ships at Florida which radiate out to the West Indies and serve in particular the Bahamas and Jamaica. So that that is becoming an increasingly important route for trade with the Caribbean area.

Senator Robichaud: From what Canadian ports are they operating?

Mr. Schuthe: The ships are operating in the case of Saguenay terminals from Montreal and the Atlantic ports of Canada. The Royal Netherlands Line operates from Montreal, with calls at Atlantic ports. The Great Lakes Trans-Caribbean Line, of course, begins its service in the Great Lakes at American and Canadian ports and calls at Montreal.

Senator Robichaud: How many of those ships have refrigeration facilities?

Mr. Schuthe: Refrigeration is a problem, largely because there is a seasonal demand. I am unable to tell you precisely the number of ships. The refrigeration capacity meets the normal requirements, but is usually inadequate for seasonal peaks.

Senator Robichaud: Has any attempt been made by the Department of Transport or the Department of Trade and Commerce to look into the possibility of improving the refrigerated containers for those ships? There is no doubt that it is being done, but on a small scale. From the information that I could gather it could be very effective if an improvement was made in this field.

Mr. Schuthe: This certainly has been a subject of conversations with steamship lines, sir. Part of the difficulty I think is that the containerization concept may be too sophisticated for this trade. This is being very carefully examined by Saguenay Shipping. The latest word that I have seen is that they feel that a pre-palletised type of operation may be more satisfactory than the containerized type of operation that follows the concepts used now in some of the major trades; Britain to Australia, for instance.

This does not provide an answer to the refrigeration problem. I am aware, however, that the steamship lines are studying the possibility of containers of a satisfactory size that could provide an adequate refrigeration service, at least for the seasonal peaks.

Senator Cameron: Is there any practicality in air freight?

Mr. Schuthe: Air freight is developing, sir. Of course, the cost per pound of air freight is very much higher than by other types of transportation at the present time. In the foreseeable future I think one can anticipate that only types of cargo that can bear the higher costs would move by air freight.

Senator Fergusson: Do the Saguenay boats that come from the Gulf of Guyana and bring back bauxite carry anything other than bauxite; do they take other freight and passengers?

Mr. Schuthe: The passenger aspect is not very significant. There may be in some ships a few passengers carried, but this is not a significant element of the trade. They usually rely on a general cargo southbound, carrying bauxite as the return cargo. This is not invariably the case though; they are in the trade for sugar or other bulk cargoes that are returning as well.

Senator Fergusson: I was under the impression that they just carried bauxite. I have been down there and that is the impression I got, that returning Saguenay boats were just

serving the Alcan people, bringing their bauxite back to Canada.

Mr. Schuthe: On return they are not offering a regular general cargo service; they are southbound, but not northbound.

Senator Phillips (Rigaud): A few moments ago we were discussing the point that investments were increasing in the Caribbean and that, roughly speaking, at best we were holding our own against the United States in terms of the ratios.

Have we given any thought to the problem that if Canadian investors go into that area and do not invite the native population to participate in those investments that we would be creating in that process a very serious problem, somewhat similar to the one that we have in Canada, where we are complaining about the penetration of American capital? Also in terms of thinking about trying to help out the Caribbean, to which Senator Grosart referred, as distinguished from the cold question of trade?

My question is: Have we given any thought to supporting Canadian investors going into the area from the point of view of developing industry in that area conditional, however, upon participation by the native residents in such companies that would be so formed?

When you are dealing in terms of trade, in and out, primary products more or less, there is not much of a problem that is being created other than on a current basis. If you cause companies to be formed in an area that are wholly-owned by non-residents from the point of view of the Caribbean countries and the natives there are not participants therein—I use the word native in terms of native-born people in that area—are we not in the process creating a serious problem?

If we were to proceed along the lines I am suggesting, would we not get a jump on our American friends by being a little more progressive in our point of view?

Mr. Burns: The first comment that I would have on your suggestion is that at present, except for these extraordinary "pass-through" regulations which we have to ensure that the American balance of payments program is not upset, the government does not control foreign private investments by Canadians.

So, I would have thought that the kind of suggestion that you are making would really

require a move by the government into some sort of control and direction of private investment by Canadians abroad.

Senator Phillips (Rigaud): The reason I am putting the question is that I am familiar with three or four of the banks of our country that are consistently taking a more important position in the area. In the normal way all they are doing is extending credit to their customers. Off go the business men, simply setting up their companies in the area and that is that; they are out to make their profit.

If we could tie in the commercial operations, the banking operations in terms of loans to business and industry with a close co-operation with your department, we would then be able to tie in aid to the area and at the same time get a trade benefit.

I am putting my question in the form merely of the development of the proposed plan of action, which I think might have some value.

I know more or less on a daily basis as a professional man—daily is an exaggeration—but on a normal professional basis as a lawyer, I know companies that go to the banks, get their lines of credit, go into the area and are doing well. In the process all we are doing as I see it is to build up trouble for ourselves, just as we built up troubles two or three centuries ago in importing indentured labour, mainly into the United States, and we are paying the price with the spill-over here.

I think if we look a little into the future in the Caribbean area we will be creating a problem of a different type there. Success will bring danger in terms of the dispossessed of the area who will simply say we are exploiting them and they are not participating in the profits that are being made in the development of their resources.

Mr. Burns: One could make one response that is not quite directly on the point you are making. The representative of the CIDA will no doubt be talking about this a good deal but, in fact, the government aid which we are providing in the Caribbean is I think aimed at projects of assistance to the industrial structure of the area.

In that case, of course, there is no question of the kind of ownership problem that you have drawn attention to. In terms, though, of the private Canadian investor I would certainly want to draw the attention of my minister to the suggestion that you have put

forward. I would have thought, just purely personally, that Canadian firms must surely be aware of the kind of problems caused by foreign ownership in the Canadian context and would be somewhat aware of it in other countries.

Senator Phillips (Rigaud): Yes. I would like to continue the dialogue we were following a moment ago so as to get it on the record in the hope that in due course we can get a recommendation out of the committee once we have the thought developed.

The private investor does not look to the future, he looks to current income. He is not bothered about the political, social and economic problems that are created on the theory of the French "*après moi le déluge*" sort of thing.

I think in your department you have certain cases—say, if we are dealing with the United States we would be introducing this line of thinking. If we are dealing with Great Britain we can deal with our ordinary current problems, but when we develop through your department, trade and commerce which have the new humanitarian factors it would be interesting to keep in mind, if I may suggest, the thought that I transmitted to you.

Senator Grosart: I think what Senator Phillips is suggesting is that just having passed an act which would ensure private investment in the Caribbean, we might now pass one to subsidize private investment in the Caribbean to permit local participation in capital structure.

Senator Phillips (Rigaud): Or conditional upon.

If this export bill passes there is much to be said about the fact that conditions should be laid down that insurance and all the rest of it is conditional upon.

If plants are being constructed in the area—I am not speaking of the mere shipment of commodities. Put simply, I am merely saying that I think we have reached the point, this sophisticated concept in the 20th century of trade being accompanied by the wellbeing of the countries with whom we are dealing, particularly the under developed countries, that we apply a little more clearly and a little more effectively the marriage of the two concepts, trade on the one hand and aid on the other, instead of the haphazard way of compartmentalizing it.

Senator Grosart: I am sure Mr. Burns would love to give you an answer to that one.

The Acting Chairman: Honourable senators, at this point I probably should point out that, as referred to by Senator Grosart, the fact that these gentlemen who are with us today are with the Department of Trade and Commerce and consequently your main interest perhaps is to develop exports into various areas of the world.

This committee, on the other hand, has a two-fold functions, as I see it. It is true we would like to export more to other countries and particularly the Caribbean area, but we have also had very considerable emphasis through the offices of the Department of External Affairs on the question of aid being tied up to our business relationships. That is part of the reason for this type of discussion, which you may not have expected in this committee. I want to emphasize that.

Senator Carter: I have a different question but I would like to follow on this line of thinking because we have been told that trade is more or less proportional to investment.

The American trade is growing so much more rapidly than Canada's because their investment is growing very much more rapidly. I would like to have that confirmed before I go on. Is that a correct assumption?

Mr. Burns: US exports to the Caribbean represent about a third of the Caribbean total imports. Our sales to the Caribbean represent about 10 per cent of the total Caribbean imports. This, of course, is not a bad percentage if one looks at total terms.

Senator Carter: We are talking about the rate of growth and the rate of growth is more or less proportionate to the rate of growth in investment; is that correct?

Mr. Burns: In some sectors that is certainly true, Senator. It may not be true in all sectors, because the flow of trade with investment is normally in terms of parts and component to an assembly operation to begin with in the Caribbean, raw materials, that kind of thing. If it is a product area which is not likely to lend itself to local investment, then I do not think the same general proposition holds.

Senator Carter: I would like to get your reaction to the idea of a development corporation. We have been toying around with the idea in Canada, that we should have

Canadian development corporation to help to buy back some of the foreign investment, or at least to give the ordinary Canadian a stake in his country.

The Canadian government has joined as partners with the oil companies in the development of the oil fields in the north. Is there any counterpart of these organizations in existence now with respect to the West Indies? Is there a West Indies development corporation, or could there be a Canada-West Indies joint corporation?

What would you think of that idea of approaching this problem? Would that be a good way, if it were feasible?

Mr. Burns: Senator Carter, I do not think there is anything directly of the kind that you have just described but, of course, there are very serious discussions going on in the Caribbean now for the establishment of a regional development bank. This would be of very great importance to the economic development of the Caribbean area as a whole.

That contemplates inputs of capital from countries in the region and from countries not in the region.

It is expected that the nonregional members of the Caribbean region development bank would also make capital contributions to the operations of that bank in the same way that we make contributions to the Asian Development Bank, to the Inter-American Development Bank, to the world bank and so on. That would seem to me to be an area where Canadian capital can be introduced into the economic development programs of the commonwealth Caribbean in an integrated and non-controversial way along the lines of the thoughts that Senator Phillips mentioned earlier.

The Acting Chairman: At this point, Senator Carter, may I say we have had some discussions in this committee with regard to a suggested regional development bank in the Caribbean area along these lines which you are suggesting now.

Senator Cameron: My question relates to both Senator Phillips' and Senator Carter's questions:

Should we follow the example of a very aggressive export policy, a trade policy such as the Japanese adopt? They have been using very effectively the joint venture principle in Singapore, Malaysia and Africa. I am wondering to what extent those joint venture

operations exist in the Caribbean now? If there are not joint venture programs in being, have we any legislation that makes it possible for us to set up joint venture projects in the Caribbean in which the native people would have a share and in that way have a control? It would answer the question that Senator Phillips has been raising, which is a very crucial one in terms of the climate there at the present time.

Mr. Nickson: So far as existing joint ventures are concerned, that is by Canadian capital, our information is that this is the exception rather than the rule.

Senator Cameron: That is what I thought.

Mr. Nickson: There are cases of joint participation, joint ventures. The problem here is a lack of capital available in the West Indies, or a capital structure, or business people looking for joint ventures. This is one of the main problems.

Each of the independent countries of the West Indies, that is Jamaica, Trinidad, Barbados and Guyana, have their own industrial development corporations, sometimes with representation in Canada. These people try to stimulate, and I think we also try to stimulate, participation on a joint basis, without any legal basis for doing so of course.

Very frequently this has been found not to be possible and that their first interest is to get investment and direct investment into the country.

Senator Pearson: When the British were in occupation in that area did they have joint ventures of investment?

Mr. Nickson: Not so very much, Senator. Their primary interest was in resource development, that is in agriculture. Those were sugar islands in those days and the British participation was largely that way and through trading companies. It was also through the banks of course. Barclays was there and still is there.

Senator Robichaud: They are on their own though.

Mr. Nickson: Yes.

Senator Pearson: Are the Americans there on their own, too?

Mr. Nickson: The Americans do have investment guarantee systems.

Senator Robichaud: The American government does. You mention Trinidad and Jamaica. Is it not a fact that in recent years the British have moved into the manufacturing end of it, such as in home refrigerators and stoves?

Mr. Nickson: Yes, they have, but we do not have these actual figures. These figures are not available in the West Indies, unfortunately. I am almost certain that the largest investors in the West Indies would be the United States, the second Canada and the third Britain. That is if you left out the British investment in the sugar industry in the West Indies. I do not know how you would get a figure for that.

Senator Grosart: Bauxite and alumina would take up a very large part of the Canadian investment?

Mr. Nickson: That is right.

Senator Grosart: It would not be very evenly spread in terms of second place across the islands.

Mr. Nickson: No, that is right, but we have been struck in the last two or three years by the breadth of Canadian investment. We are talking of commercial operations here, but it is not at all confined to manufacturing or to bauxite. It goes into all sorts of things, tourism and so on.

Senator Belisle: It is noted here that there was a 73 per cent increase in immigration over 1967 and undoubtedly a larger increase in 1968. What is the percentage? Has it tripled?

The Acting Chairman: Senator Belisle, our next meeting is supposed to deal with this question of immigration, because it had been hoped that we might have the Honourable Allan MacEachen here this week. He will deal exclusively with this problem, so perhaps today we might confine ourselves to commercial aspects.

Senator Fergusson: Mine is a very parochial question because I come from New Brunswick.

I would like to know if we sent any potatoes to any Caribbean country other than Cuba? According to the report that we got, in 1966 we sent quite a lot of potatoes to Cuba. Now it is almost half of that. I was wondering why it has gone down, why Canada's export of potatoes to Cuba has gone down to that

extent? Could you tell me, too, if the United States export potatoes to the Caribbean countries?

Mr. Burns: If we could take those questions separately, Senator Fergusson, I would be grateful if you would allow us to write to you on the question of Cuba and potatoes because I do not think we have the answer with us today on that point.

Senator Fergusson: The point is whether we sell them to any other countries, other than Cuba?

Mr. Burns: No. I do not have immediately the reason for the decline.

Senator Fergusson: I just wonder about it.

Mr. Burns: It is certainly one of our traditional markets for potatoes. I would be very glad indeed to get you the details on that and send them to you.

Senator Fergusson: Perhaps I should say that when I made that statement I was only looking at the seed potatoes, in which the export has certainly gone down considerably from 1966 to 1968. In table potatoes it has increased, but we do not export a great many table potatoes.

I was under the impression that at one time we sent some to Venezuela, but I have looked through the report you gave us about Venezuela and I cannot see any mention of potatoes. That is why I ask if other countries are getting them?

Mr. Burns: As I recall, Uruguay used to be a large importer.

Mr. Nickson: Our export trade in potatoes to the West Indies is largely in seed potatoes, as you have said. In fact, they encourage the growing of table potatoes throughout the West Indies.

Senator Fergusson: Do they produce good potatoes? Is their climate suitable to produce them?

Mr. Nickson: Yes, they do have a small industry. You will remember that the local diet does not really include potatoes very often. Potatoes are not a standard in the West Indies as they are here, but the nature of the Canadian trade has largely changed into the seed potato trade rather than the table potato trade.

Senator Fergusson: I seem to remember when I lived up in the country where they

grew potatoes that there was a tremendous export of potatoes. That would be about 1935 to 1940.

Mr. Nickson: Yes, I think you are quite right.

Senator Fergusson: Is there not the demand now?

Mr. Nickson: The demand is there, but they are growing more of their own.

Senator Fergusson: Yes, but even then the largest amount that they exported was seed potatoes. Do they grow seed potatoes now? I thought they could not under their climatic conditions.

Mr. Burns: I think you should let us take this question as notice, Senator Fergusson. We will be very glad indeed to get you the details.

Senator Quart: I do not know too much about it, but do we export very much lumber from our big lumber companies in Canada to the West Indies?

Mr. Burns: Yes, lumber is one of the leading commodities in the trade still.

Senator Quart: To follow this along, lumber would not need refrigeration, would it?

Mr. Burns: No.

Senator Quart: I do know that some of our big companies charter. I did not hear mention of any of these lines which you mentioned, Saguenay Lines and the rest of them, but they do carry some passengers. They leave from some ports in the lower St. Lawrence. I wonder why they do not use some of these Canadian lines? I know they use Scandinavian and Holland, or maybe that is that Royal Holland Line, or whatever you call it.

Is there any reason why we should not try to get their business for these Saguenay Lines, which are Canadian?

Mr. Burns: I am sure, having run across the Saguenay shipping people on a number of occasions, that they do not let much grass grow under their feet in looking for business. I would have thought that they would have been looking at this very carefully.

In the lumber trade it is often the case I think that it is a more economic proposition to charter a vessel and fill it completely with lumber, rather than move it on a general cargo ship.

Senator Robichaud: Saguenay charters foreign ships.

Senator Quart: Saguenay could charter them. Thank you for holding the meeting up; I am a little wiser now.

The Acting Chairman: We have this meeting scheduled for just a few minutes more, so we will have Senator Carter, Senator Grosart, Senator Robichaud, then I would like to make arrangements as to whether we meet again next week.

Senator Phillips (Rigaud): Mr. Chairman, will you include at the end an explanation to a city slicker of the difference between a table potato and a seed potato?

The Acting Chairman: We will ask Senator Fergusson to do that.

Senator Grosart: Senator Fergusson has invited all members of the Senate to go to New Brunswick during the potato season to see them.

Senator Carter: With regard to this relationship between trade and investment, the West Indian governments and certainly the Caribbean governments must have incentives to investors.

Is the Canadian government doing anything to underwrite their incentives or to supplement their incentives?

Mr. Burns: Senator Carter, I do not think there is anything that we do in this field, although the incentives that individual Commonwealth Caribbean countries give can be pretty extensive. They can include, for example, import restrictions on the products to be produced by the new industry, which means that the new industry has a pretty free go at the local market. There are a number of tax holidays and that kind of thing.

In terms of encouraging investment I would have thought that the measures already in place in these countries are probably pretty extensive.

Senator Carter: Yes, I agree with that, but that was not quite my question.

These incentives are expensive to the Caribbean governments, which are developing countries.

I was wondering whether the Canadian government has given any thought to underwriting some of their incentives? We probably could underwrite the ones to our advan-

tage to build up our investment, encourage Canadian investment in certain lines that Canada would be interested in and at the same time increase our trade.

Mr. Burns: If I may, Mr. Chairman, I will certainly take note of Senator Carter's suggestion and put it forward in the appropriate quarters in the department.

Senator Cameron: Relating to that, Mr. Chairman, I was down there a year ago last January looking into this very thing.

The government of Trinidad and some of the others give very encouraging incentives, both in terms of tax holiday and preferential treatment when they get in there.

As far as private investment is concerned, the reason some Canadians would not take it up is that they were afraid of the instability of the labour market, which gets you into another area. This was a very definite deterrent from investment in that area in spite of good monetary and other incentives.

Senator Grosart: Mr. Chairman, I am afraid I might be in danger of opening up a very large subject, but perhaps just to indicate that we have considered it, may I ask what percentage of commonwealth Caribbean manufactured goods currently being imported into Canada are subject to tariff restraint? I say that because I recall very well the distress amongst Caribbean leaders at the attitude Canada took at the first United Nations Trade-in-Aid Conference in respect to preferences.

What total percentage of the present imports of manufactured goods from these countries are restricted by our own tariff barriers? I realize that there are commonwealth preferences and so on, but what percentage are actually restricted by our tariff? To put it another way, what percentage would be given easier access if the government decided to remove all tariff on manufactured goods from this area?

Mr. Burns: I might begin to answer this by saying that of the total of 90 odd million dollars worth of exports to Canada now from the West Indies a great deal already moves free. Petroleum, bauxite, alumina. Sugar is a rather special case, but even there one can say perhaps effectively it is coming into Canada duty free.

The percentage of what might be called manufactured goods in Caribbean exports to

Canada is very small. It is less than 10 per cent.

I do not think we have worked out how much of that might be entering duty free and how much is dutiable. I suspect a fair proportion of it is probably dutiable. We are talking of something less than \$9 million total of imports into Canada.

Senator Grosart: That, of course, is the real point of my question, the fact that that particular component of our total imports, or their total exports to Canada, is as low as it is in the area where they need the exports to create jobs and earn foreign exchange. They need the manufacture of textiles, cotton, pottery, furniture and so on. All of these things are in the very area in which they must increase their exports if they are going to have a viable economy.

Mr. Burns: Senator Grosart, I am glad you have raised this question. I notice that the paper that Mr. Dobell's secretariat provided characterized these as being formidable barriers, I think those are the words that are used. I really question whether they are formidable barriers.

I find it interesting to note, for example, in cotton trousers that there are less developed countries in other parts of the world that seem to be able to sell very effectively in this market. In fact, so effectively that we have had to ask them to restrain some of their exports.

Senator Grosart: We do more than ask them; we pass Orders in Council to put them in a category that cannot come in. This is what we have been doing in the last three or four months in connection with textiles from some other countries.

The Acting Chairman: Might I just refer Senator Grosart to this fact, that we hope to make an appendix to our proceedings today a document which we call Commentary in Trade and Commerce, which was prepared by the Research Assistant of this Committee. On page 8 of that you will find reference to the import duties on certain specific commodities.

Senator Grosart: It is the statement on that page that our witness is objecting to.

Senator Robichaud: My last question will have to do with the promotion of trade and particularly the promotion of Canadian exports to the West Indies.

I will deal with one specific commodity, which is quite important to the Atlantic provinces and particularly to Newfoundland, that is the export of dried salt cod to the West Indies. This used to be one of our most important export commodities. Even at this time, in 1968, for example, Canada exported over \$4 million worth of salt cod to Jamaica and \$835,000.00 worth of salt cod to Trinidad, just to mention two of the islands, which are really two of the main ones.

Unfortunately I feel that we are using the same method. We are shipping the same commodities that we were doing during the schooner days. We are using the West Indies as an outlet for our low grade products.

Taking into consideration the progress which has been made in the West Indies, in the Caribbean area in the last ten years, for example, and more particularly, in the last five or six years, I am wondering if the Department of Trade and Commerce is giving consideration or has given some thought to looking into this particular commodity?

For example, something could be done in line with what has been suggested by Senator Phillips. We could export our dried cod say to Trinidad or Jamaica and there have a kind of processing plant which could take this low quality product and reprocess it, package it and make it available as a product which can be moved freely to any areas of those islands.

By doing this it seems to me that we would increase our sales. We would create a new demand for salt cod in the Caribbean. They need this product. It is a cheap commodity in relation to what they have to pay for other food products.

I am wondering whether the Department of Trade and Commerce has given any thought to this type of action?

Senator Grosari: Their cooks down there now do that sort of processing so that you eat salt cod and you think you are eating a West Indian dish.

Senator Robichaud: The packaging and the shipping is the same now as it was in the schooner days, 50 years ago.

Mr. Burns: Mr. Chairman, there is another way of tackling the question that Senator Robichaud has put forward.

That would be to try and do something about better processing in Canada of this product.

Senator Robichaud: The reason I put it this way is that I think there is a tendency to get the natives, the local industry involved in this type of operation. If this was done in Canada and shipped that way I think we would run against the danger of having a high-priced commodity which may not be acceptable by the local people.

By doing it otherwise the transport would be cheap. First, we would not have to dry the product as we have to dry it now. We have to ship heavily dried salt cod in order that it will keep in the climate which it has to meet in the West Indies. We would ship cod with a higher water content. It would be cheaper for us to produce. We would have a better control of quality. Then it can be processed and finished there in plants. It would take probably one plant either in Jamaica or in Trinidad, or one in each island, to supply the whole of the Caribbean.

Mr. Burns: Senator, I know there is a great deal of study being done now in terms of how to improve the salt cod marketing question. I will certainly ensure that that suggestion is put forward to those concerned with this matter.

Mr. Nickson: I might comment also that particularly in processed foodstuffs the department has been very active in promoting this.

This is not true of salt cod as a product, of course, but in terms of other foods. Canadian exports of processed foods is quite big to the West Indies.

The Acting Chairman: Honourable senators, we are just about coming to the end of our projected time for this meeting. There are a couple of matters I would like you to deal with.

The first is, would you allow us to publish as Appendix B to the minutes of this meeting a document entitled Canada-Commonwealth Caribbean Trade and Economic Relations, which was prepared by the Department of Trade and Commerce?

Hon. Senators: Agreed.

The Acting Chairman: Also as Appendix C a document entitled, Commentary-Industry, Trade and Commerce, which was prepared by the Research Assistant of this committee?

Senator Phillips (Rigaud): Are you deleting the word "formidable" or leaving it in?

Senator Grosart: Mr. Chairman, I wonder if it is wise? This is really an internal document. I have some doubts as to whether it should be included in our minutes. This is really a document prepared for the guidance of senators. The statements made there are not all necessarily ones with which everybody would agree. I think it would be wiser if it were not tabled. It is a good paper, but I am suggesting that it is an internal document.

Senator Robichaud: I agree with that.

Senator Fergusson: I agree with Senator Grosart.

The Acting Chairman: I agree that it is a splendid document, but we will agree that it does not go in.

Appendix B, namely, the document prepared by the Department of Trade and Commerce, goes in as an appendix. (*See Appendix "B"*)

Hon. Senators: Agreed.

Mr. Burns: Mr. Chairman, may I just make one small intervention, that although I like to think of myself still as a member of the Department of Trade and Commerce, it is now the Department of Industry, Trade and Commerce.

Senator Carter: Mr. Chairman, before we adjourn I wonder if the last witness might just elaborate a little further on his answer when he said that they are promoting processed foodstuffs but not promoting processed cod.

Is there any special reason for that?

Mr. Nickson: I am sorry, Senator, I did not mean that we were not promoting cod. The interest of the Canadian government so far as cod is concerned has been to maintain the best possible atmosphere for the development of that trade.

As you know perhaps sir, we have had many discussions, particularly with Jamaica, about the price of cod. We have had a great deal of cooperation from the government of Jamaica in this. It has been in that field that our greatest activities have been respecting cod.

The other products that I was speaking about were newer products in the trade that have become established. I am sure this was what Mr. Burns meant when he referred to the possibility that Mr. Robichaud brought up.

Senator Carter: Yes. I just did not want the record to end where you left off, sir.

Mr. Nickson: We spend a great deal of time on cod in one way or another.

Senator Grosart: Would you give me the name of the document that we agreed to put in as Appendix B?

The Acting Chairman: Canada-Commonwealth Caribbean Trade and Economic Relations.

Senator Grosart: I would like to suggest that we also append the document entitled Operation of Canada-West Indies Trade Agreement, 1926, in respect of Canadian exports, which was prepared by Mr. Burns' division, the Office of Area Relation, Commonwealth Division. It is a complementary document.

Hon. Senators: Agreed.

Mr. Burns: Mr. Chairman, I would be grateful if that particular document were not published. In fact, I had hoped that we had retrieved all the copies of that one.

The Acting Chairman: At the request of Mr. Burns I think we should not put that in, so that will not go in as an appendix.

Honourable senators, I am sure that Senator Aird will want to be in your hands with regard to future meetings.

The situation is this, however, that Senator Aird was most anxious to have a statement from the Minister of Immigration, the Hon. Allan J. MacEachen, in regard to immigration. He had arranged for Mr. MacEachen to appear before this committee a week from today at 4 o'clock. I am informed that there are no other committee meetings scheduled, as yet, for that time, except the meetings of this committee, namely, the proposed meeting at 4 o'clock. Senator Aird also is anxious that we arrange to hold a meeting on the Caribbean and the involvement of the Canadian International Development Agency. He was anxious that we have that meeting also.

What are the wishes of the committee in regard to these two meetings?

Senator Grosart: Could I just compromise this, Mr. Chairman, that we hold the immigration meeting as scheduled and postpone the other? The reason that I suggest that is that we have had a great deal of information on the CIDA operation in other committees.

It has been completely gone over in the Finance Committee. Whereas it is obviously important that we get the Caribbean picture, it is all on the record.

The Acting Chairman: The Chair agrees with your point of view. If the rest of you do we will just have the one meeting.

Hon. Senators: Agreed.

The Acting Chairman: May I say on behalf of the members of this committee to the gentlemen from the Department of Industry, Trade and Commerce that it has been a great pleasure to have you with us. Your contribution has been most valuable to the committee.

APPENDIX "B"

CANADA-COMMONWEALTH CARIBBEAN
TRADE AND ECONOMIC RELATIONS*(1) Commonwealth Caribbean Economies and
Canadian Participation*

The Commonwealth Caribbean countries enjoyed a particularly rapid rate of economic growth in the 1950's and early 1960's. Although this rapid rate of growth has slowed somewhat latterly receipts from tourism have expanded significantly and the bauxite, alumina and sugar markets are improving. However, growing unemployment is pressing heavily on the West Indian economies and some problems are being experienced in other exports. The Commonwealth Caribbean see industrialization as the key to providing the necessary additional jobs for the growing labour force and to provide for higher living standards. Like most developing areas the region will remain heavily dependent on continued infusions of foreign capital and technical and management expertise to finance its economic development.

The Commonwealth Caribbean economies are still basically agricultural and exhibit a high degree of commodity and market concentration in their export trade. Five commodities—bauxite and alumina, petroleum, sugar, bananas and citrus—account for over 80 per cent of the total. At the same time over three-quarters of the area's exports go to three countries—the U.S.A., Britain and Canada. Economic diversification is occurring. Capital inflows are increasing and tourism and secondary industry expanding.

External trade bulks large in the sum of the economic activity of individual Commonwealth Caribbean countries. For example in Jamaica exports represent 25 per cent of the gross domestic product and imports 36 per cent; in Trinidad the figures are 30 per cent for exports and 27 per cent for imports (excluding oil); for Guyana exports and imports each represent almost 50 per cent of the GDP and in Barbados the ratio of exports to GDP is 45 per cent and for imports over 80 per cent.

Imports are rising in Barbados at a significant pace, however, the rate of growth is less rapid in Jamaica, Guyana, and Trinidad. Trinidad's total import bill (excluding crude petroleum) increased by only some \$5 million between 1963 and 1967. Intensified import substitution policies have reduced the rate of

import growth in these three countries in addition to the natural inhibiting effect of devaluation in 1967. The level of imports is also often related to the level of capital investment in the economy. For example, higher imports in Trinidad in 1965 and 1966 reflected substantial purchases of machinery and equipment for the petroleum and petrochemical industry and of jet aircraft by the BWI Airways. These purchases were not repeated to the same degree in 1967 and 1968.

Britain, the United States and Canada are the principal suppliers to the Commonwealth Caribbean. In general the United States has increased its share of the market in recent years, whereas the British share has been declining. Canada's share of the region's import market has remained relatively stable and varies from 12 per cent in Barbados, 10 per cent in Jamaica, 8 per cent in Guyana to approximately 5 per cent in Trinidad (about 9 per cent of total imports excluding oil).

A major problem confronting Canadian exporters to the West Indies is the intensified use of import restrictions throughout the area. It should be noted in this regard that the GATT recognizes the importance of industrialization to the development of economies in the less developed countries and provides special exemption for such countries to revise tariffs and impose quantitative restrictions on imports to promote industrialization with a view to raising general living standards and assisting in economic development.

Canada is also facing sharper competition in the West Indies from the United States, Europe and more recently Japan. There are signs of increasing efforts by Britain to reverse the downward trend of her share of Commonwealth Caribbean markets through intensified promotional efforts and increased investment. The establishment of the Caribbean Free Trade Association (CARIFTA) is resulting in increased trade among member countries and in increased regional import substitution policies. On the other hand it is expected that in the longer term a strong CARIFTA will greatly expand trading opportunities in the area for industrial materials, capital equipment, machinery and types of consumer goods not manufactured locally.

Growing U.S. private investment in the region has resulted in a corresponding increase in that country's exports to the West Indies. Although Canadians have significant investments in the Commonwealth Caribbean

they have not been increasing as rapidly as United States holdings in recent years. United States suppliers are often in a position to capitalize on the basic American investment for the supply of the capital equipment, production materials and components required by new industry. In addition, tariffs are often waived on such imports under pioneer industries' legislation and consequently Canada's preferential advantage over MFN suppliers is lost.

(2) *Canada-West Indies Trade*

(see also attached statistical tables)

(a) *Canadian Exports to the Commonwealth Caribbean*

Canadian exports to the West Indies had been increasing steadily over the past few years— from \$85.1 million in 1964 to \$108.2 million in 1967. However, the rate of increase slowed somewhat to 5 p. 10 in 1967 over 1966 and in 1968 exports declined by 8.2 per cent to \$99.3 million. For the first three months of 1969 Canadian sales to the Commonwealth Caribbean climbed marginally to \$21.9 million from \$20.6 million for the same period in 1968. Specific trading interests are outlined for the four independent Commonwealth Caribbean markets and the Bahamas in separate papers.

The West Indies market represents about one per cent of total Canadian exports and Canada supplies roughly 10 per cent of the region's import requirements. In 1968 the area ranked 13th among Canada's export markets and 4th among Canada's exports to the Commonwealth. Traditional exports including flour, fish, meats, processed foodstuffs, lumber and newsprint still bulk large in our trade. However, increasing industrialization in the area is changing the composition of Canadian exports and in recent years has introduced significant sales of such items as textile fabrics, insulated wire and cable, aluminum fabricated materials, various capital equipment and an increasing range of fully manufactured goods. The establishment of CARIFTA while posing some short term problems for Canadian exports is expected, in the longer term, to create opportunities for increased trade with the region.

(b) *Canadian Imports from the Commonwealth Caribbean*

Canadian purchases from the West Indies have remained relatively static over the past three years, amounting to \$89 million in both 1966 and 1967 and \$92 million in 1968. Commonwealth Caribbean exports to Canada are

narrowly based with bauxite and alumina, sugar, petroleum, molasses, rum and citrus fruit juices accounting for over 80 per cent of the total. However, the West Indies has a small but growing market in Canada for such items as cigars, liqueurs, garments, footwear, and buttons.

The Commonwealth Caribbean traditionally supplies less than one per cent of total Canadian imports. In 1968 the West Indies ranked 8th among Canada's sources of imports and 2nd among Commonwealth suppliers.

(3) *Trade Relations*

Canada's trade relations with the Commonwealth Caribbean are governed by the Canada-West Indies Trade Agreement, 1925 and attendant protocol signed at the 1966 Canada-Commonwealth Caribbean Prime Ministers' Conference. All countries are also members of the General Agreement on Tariffs and Trade (GATT).

The bilateral Trade Agreement (copies of which were supplied separately) provides for the exchange of tariff preferences between Canada and the Commonwealth Caribbean and includes a provision which makes direct shipment a necessary qualification for preferential tariff treatment. At the 1966 Conference the direct shipment provision (Article VII) was waived so that either Canadian or Commonwealth Caribbean goods may now be transshipped and still qualify for preference as long as a through bill of lading accompanies the shipment.

Each Commonwealth Caribbean territory undertakes to maintain minimum margins of preference on certain Canadian goods. There is a general provision that the duties on Canadian goods (preferential tariff) may not exceed certain percentages of the duties imposed on imports from any foreign country (general tariff). The percentages vary in different territories: they may not exceed 50 per cent in *Barbados, Guyana and Trinidad*; 66⅔ per cent in *British Honduras* and the *Leeward and Windward Islands*; or 75 per cent in the *Bahamas and Jamaica*. In addition, Schedule B of the Trade Agreement provides for specific margins of preference on some 15 products including flour, certain meats and fish, lumber, condensed milk and apples.

Almost 95 per cent of Canadian exports to the West Indies are eligible for preferential tariff treatment. In 1968 \$23.9 million or 24 per cent of Canadian exports to the Common-

wealth Caribbean entered under specific margins bound under Schedule "B" of the Trade Agreement. Last year approximately 13 per cent of Canada's exports to the Commonwealth Caribbean entered free of duty.

There are no bindings of tariff rates to Canada under the bilateral agreement. As explained earlier the Commonwealth Caribbean, as developing countries, have freedom under the GATT to raise tariffs, to assist in promoting industrialization, to raise living standards and accelerate economic development.

The Trade Protocol negotiated at the 1966 Conference includes inter alia provisions regarding access for commodities of special interest to both sides including rum, bananas, flour and salt cod; a consultation provision in respect of industrialization measures adversely affecting imports; and an undertaking to examine the bilateral Trade Agreement with a view to its possible renegotiation after the Kennedy Round. The text of the Protocol has been supplied with the communique of the 1966 Conference.

The Protocol also provides that to the extent that it may be necessary to avoid conflict between the provisions of the Agreement and the GATT no-new-preference rule, the obligations of the Agreement, after consultation, may be waived. This provision was added to take account of the fact that most of the preferential margins bound to Canada under the bilateral Trade Agreement are expressed as a percentage of the West Indies general tariff rates. When raising duties, the Commonwealth Caribbean countries in order to meet their Trade Agreement obligation, would have to enlarge absolute preferential margins to Canada. The GATT provides that preferences may not be enlarged nor new preferences created except under special circumstances. In point of fact Commonwealth Caribbean countries when adjusting tariffs upwards generally retain the absolute margin of preference for Canadian products.

(4) Import Restrictions

Inherent in the region's industrialization policies is provision to impose quantitative restrictions to protect new industry. These restrictions are applied more rigorously in some Caribbean markets than in others. They are used more intensively in the areas which are industrializing rapidly such as Trinidad, Jamaica, Guyana and Barbados. These restrictions have adversely affected Canadian exporters particularly since many of Canada's

manufactured exports to the West Indies are of the relatively simple type now being produced locally. The 1966 Trade Protocol provides for consultations with regard to industrialization measures which adversely affect trade. Consultations have been held under this provision on a number of occasions and as a result a degree of access has been maintained for certain Canadian exports.

(5) Canadian Investment in the Commonwealth Caribbean

Canadian exports of goods and services to the Commonwealth Caribbean are supplemented by Canadian private investment in the region which is estimated at over \$500 million. Although dominated by aluminum interests in Jamaica and Guyana, Canadian private investors have been active in the secondary manufacturing field including participation in companies producing chemicals, paints, soaps and detergents, optical lenses, switchgear, packaging material, flavouring essences, macaroni products, metal furniture, lumber, sporting goods, and television sets. Canadian commercial banks have been important factors in the financing of primary exports and in providing general banking facilities upon which the economic life of the region has been based.

The Commonwealth Caribbean actively encourages private investment as a means of diversifying and broadening their relatively narrowly based economies. All areas provide attractive incentives to potential investors including tax free holidays, duty free import of raw materials and plant equipment, accelerated depreciation on buildings and equipment, and government protection against import competition.

(6) Other Trade Questions

(a) Sugar

Canada actively supported, in close consultation with West Indian Governments, the negotiation of a new International Sugar Agreement and after several attempts an Agreement was concluded in the fall of 1968 and brought into force on January 1, 1969 for a five year period. The purpose of the Agreement was to achieve a more orderly international sugar economy and to raise the then depressed market prices to levels that are reasonably remunerative to producers and equitable to consumers. Already the Agreement is having a positive effect as world sugar prices have doubled from a pre-Agreement low of 2c. per lb. to slightly over 4c. per lb.

As an expression of our special concern in the Commonwealth Caribbean, Canada in 1966 instituted a program which provides for direct annual payments to each Commonwealth Caribbean Government concerned of an amount equal to the duty collected on Canadian imports of West Indies' sugar (29c per cwt.) up to a maximum of 275,000 metric tons. Payments amounted to slightly over \$1 million in 1968.

(b) *Rum*

At the 1966 PM's Conference Canada undertook to require that the origin and Canadian content of any rum marketed in Canada be clearly marked and to use its good offices with the provincial authorities to facilitate the marketing of rum from the Commonwealth Caribbean. A new labelling undertaking was ready for implementation on January 1, 1968. However, West Indies Governments, on reflection, felt the proposed change might not be advantageous to them and requested a deferment until April 1, 1968 (subsequently extended twice at their request to June 30, 1969).

The original labelling change was deferred to allow for discussions between the Canadian and West Indian distilling industries regarding alternative measures to increase West Indian rum exports to Canada. Latest of these discussions took place in March, 1969. A modified labelling arrangement has been agreed upon by West Indian distillers and Governments and recommended for implementation by Canada on July 1, 1969. Consultations have been held between Canadian Government officials and the Canadian industry in seeking to carry out the commitment under the Protocol. The latest labelling proposal is currently under examination.

(c) *Transportation*

At the 1966 Commonwealth Caribbean-Canada Conference the trade agreement commitment to provide a Government-subsidized direct shipping service to the West Indies, was formally terminated. The service had ceased in the 1950's. The Canadian Government did, however, undertake to examine the question of the restoration of direct shipping services in the light of its possible long term contribution to the promotion of trade. The West Indies, particularly the smaller islands of the Eastern Caribbean, had raised strong concerns over the inadequacies of present shipping services.

The Department of Industry, Trade and Commerce prepared a three volume study on

Canada-Commonwealth Caribbean transportation which has been passed to the West Indian Governments. We have not had their reaction to this study to date. Copies of the Canadian study could be made available to the Senate Committee if desired.

The study describes the performance of the Canadian National (West Indies) Steamships Ltd. (whose service terminated in 1957) and of certain other steamship companies. It reviews existing shipping services and cargo handling facilities and points to areas which may not be adequate to meet the demands of the trade. It also considers the basic economic factors affecting shipping and trade patterns. Complementary reports are considered necessary to the comprehensiveness of the study before conclusions can be drawn pointing to the solution of specific problems.

In addition, private shipping concerns are studying ways and means of improving transshipment services in the Eastern Caribbean. The United Nations are also carrying out a study of inter-island transportation in the area.

(d) *Free Trade*

At the 1966 PM's Conference it was agreed to study the question of a free trade area between the Commonwealth Caribbean and Canada. The Private Planning Association of Canada was contracted by the Canadian Government to carry out a detailed study on this subject. Their report is expected soon.

(c) *CARIFTA*

At conference in Barbados in October, 1967, Commonwealth Caribbean Heads of Government agreed on the establishment of a regional free trade area to enter into effect May 1, 1968. The CARIFTA Agreement is based essentially on the earlier abortive CARIFTA Treaty involving Guyana, Antigua and Barbados.

On April 30, 1968 Antigua, Barbados and Trinidad deposited instruments of ratification. The remaining West Indian associate states and St. Vincent and Montserrat joined on July 1, 1968. Jamaica, who had originally experienced some hesitation about joining became a member on August 1st, 1968. Total CARIFTA imports already exceed \$1 billion and by 1976 are expected to rise to \$2.5 billion.

The CARIFTA Agreement provides essentially for the removal of tariffs on all trade between signatories with the exception of

products included on reserve lists. These lists comprise some 17 product groups including tobacco, paints, radios and TV sets, batteries, furniture, certain fruit preparations, manufactured tobacco, except cigars, and certain clothing and footwear items. Developed members (Trinidad, Guyana, Barbados and Jamaica) have five years to abolish tariffs on reserve items while the less developed members have ten years. The Agreement stipulates specific origin rules which provide basically for a 50 per cent value added local content to qualify for area treatment. There is also a Basic Materials List of items which are to be treated as of area origin whether imported or not and a Qualifying Process List which, when established, will set out a list of manufacturing processes which, if carried out within a member country, will qualify the finished product for Area Treatment. A standstill on investment incentives is also envisaged which stipulates that no member shall offer more generous tax concessions than other countries in the group extend.

A supplementary agreement includes an agricultural protocol which requires member territories to reduce their extra-zonal imports of 22 basic food commodities during the next three years to 30% of their 1966 level. Included on the agricultural list are such items of interest to Canada as potatoes, onions, carrots, pork products, and red Kidney beans. The CARIFTA Secretariat, located in Georgetown, will be responsible for policing this arrangement and allocating markets among CARIFTA producers on the basis of supply and demand information supplied by the members. The protocol has not yet been effectively implemented by the member governments.

Accordingly, a substantial proportion of intra-area trade has been placed on a duty free basis while imports from outside the

area, including those from Canada, the United Kingdom and the U.S.A., remain subject to the external tariff treatment presently accorded by each individual member. In particular cases, therefore, while our preferential margin vis-a-vis the United States and other MFN suppliers is maintained, Canadian exporters face a reverse preference in CARIFTA countries as regards competitive products manufactured within the free trade area.

As a further refinement, the Eastern Caribbean Common Market Agreement which was signed in Grenada in June 1968 creates a common market comprising the five West Indies Associated States (Antigua, Dominica, Grenada, St. Kitts, and St. Lucia) and St. Vincent. The elimination of import duties among the Common Market territories follows the schedule used by CARIFTA. Article 7 of the Agreement provides for the establishment of a common external tariff within three years.

It is relevant to look upon CARIFTA in the eyes of West Indian leaders who consider it a first step in the final objective of a full and viable Caribbean economic community. Indeed the Heads of Government Resolution establishing the free trade area makes clear that a full customs union including harmonization of fiscal incentives; regional integration of industries; a planned and organized trade in agricultural products and the establishment of regional sea and air carriers will mark the true fulfillment of the areas' regional aspirations.

Commonwealth Division,
Office of Area Relations,
June 10, 1969.
CLB/kd

CANADA—COMMONWEALTH CARIBBEAN TRADE

CANADIAN EXPORTS TO THE COMMONWEALTH CARIBBEAN

(Cdn. \$ millions)

	1965	1966	1967	1968
Jamaica.....	30.3	33.5	39.1	34.3
Trinidad and Tobago.....	21.5	23.3	20.1	16.2
Guyana.....	7.7	9.9	12.1	9.2
Barbados.....	6.8	8.1	8.4	10.1
Bermuda.....	6.0	7.4	7.4	7.1
Bahamas.....	9.3	10.8	10.2	12.7
Leeward and Windwards.....	8.0	8.8	9.7	8.4
British Honduras.....	1.1	.9	1.2	1.3
	90.7	102.8	108.2	99.3

What Canada is Selling to the Commonwealth Caribbean

(Cdn.\$000's)

	1965	1966	1967	1968
Flour.....	11,138	10,355	8,413	6,701
Fish, Pickled, Salted.....	7,204	8,105	8,320	5,251
Meats.....	6,013	5,204	5,246	5,068
Fish, Canned.....	3,734	4,245	4,428	3,720
Motor Vehicles and Trucks.....	6,371	5,479	2,634	2,134
Drugs and Medicines.....	1,329	2,411	2,629	1,722
Lumber.....	1,879	2,503	2,560	3,467
Textiles.....	1,908	2,113	2,303	2,743
Aircraft and Parts.....	17	122	2,238	1,120
	1965	1966	1967	1968
Newsprint.....	1,749	1,774	2,194	2,024
Insulated Wire and Cable.....	441	1,458	1,583	1,185
Tires and Tubes.....	1,663	1,784	1,497	1,000
Milk Powder.....	1,615	954	1,461	1,271
Mining and Quarrying, Machinery and Parts.....	295	520	1,251	279
Aluminum Bars, Rods and Sheets.....	739	1,055	1,145	844
Iron and Steel Pipes and Tubes.....	626	768	1,120	655
Poultry Feeds.....	1,189	1,484	1,046	505

Plus an extremely Broad Range of Fully Manufactured Products.

CANADIAN IMPORTS FROM THE COMMONWEALTH CARIBBEAN

	(Cdn.\$ millions)			
	1965	1966	1967	1968
Jamaica.....	36.0	37.3	31.9	33.9
Guyana.....	22.5	29.1	30.0	29.4
Trinidad and Tobago.....	16.7	16.0	18.7	19.9
Barbados.....	3.0	2.3	3.1	1.5
British Honduras.....	1.2	1.5	1.9	2.5
Leeward and Windwards.....	.8	.9	1.4	1.3
Bahamas.....	.5	1.2	2.2	3.1
Bermuda.....	.4	.8	.3	.4
	81.2	89.1	89.5	92

What Canada is buying from the Commonwealth Caribbean

	(Cdn. \$000's)			
	1965	1966	1967	1968
Bauxite and Alumina.....	43,781	49,518	48,300	51,819
Raw Sugar.....	17,151	16,359	11,735	10,002
Crude Petroleum.....	8,917	8,453	9,504	9,866
Molasses.....	2,359	2,944	3,864	3,177
Rum.....	1,052	1,682	2,835	2,626
Fruit Juices.....	1,126	1,391	1,036	1,447
Coffee.....	398	396	505	495
Nutmegs and Mace.....	375	258	307	165
Liqueurs.....	151	320	280	468
Vegetables Fresh.....	178	188	254	65
Cocoa Beans.....	281	47	79	66

COMMONWEALTH CARIBBEAN

Canadian Exports (in 1968) to:

Jamaica.....	DOWN	12.3%	from 1967
Trinidad and Tobago.....	DOWN	19.4%	"
Guyana.....	DOWN	24%	"
Barbados.....	UP	20%	"
Bermuda.....	DOWN	4%	"
Bahamas.....	UP	24.5%	"
Leewards and Windwards.....	DOWN	13.3%	"
British Honduras.....	UP	8.3%	"

TOTAL CANADIAN EXPORTS DOWN: 8.2%

Canadian Imports (in 1968) from:

Jamaica.....	UP	6.2%	from 1967
Guyana.....	DOWN	2%	"
Trinidad and Tobago.....	UP	6.4%	"
Barbados.....	DOWN	51.6%	"
British Honduras.....	UP	31.5%	"
Leeward and Windwards.....	DOWN	7.1%	"
Bahamas.....	UP	41%	"
Bermuda.....	UP	33%	"

TOTAL CANADIAN IMPORTS UP: 27%



First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable Gunnar S. Thorvaldson, *Acting Chairman*

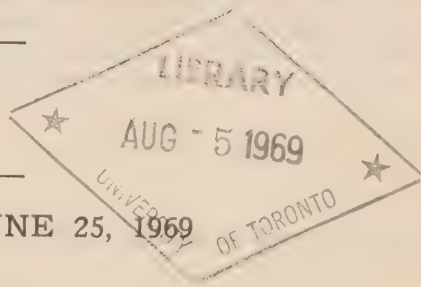
No. 8

WEDNESDAY, JUNE 25, 1969

Respecting
THE CARIBBEAN AREA

WITNESSES:

Honourable Allan J. MacEachen, Minister of Manpower and Immigration
and Mr. R. B. Curry, Assistant Deputy Minister (Immigration).



THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (<i>Rigaud</i>)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (<i>Carleton</i>)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

* * *

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

* * *

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the

foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Wednesday, 18th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting today.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 19th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting on Wednesday next, 25th June, 1969.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 25th, 1969.

(9)

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 4.10 p.m. this day.

Present: The Honourable Senators Cameron, Carter, Croll, Eudes, Ferguson, Gouin, Laird, Pearson, Quart, Thorvaldson and Yuzyk. (11)

The Committee continued its study of the Caribbean Area.

In accordance with the Committee's resolution of June 18th, 1969, the Honourable Senator Thorvaldson took the Chair as Acting Chairman.

The following persons were introduced and heard: The Honourable Allan J. MacEachen, Minister of Manpower and Immigration; and Mr. R. B. Curry, Assistant Deputy Minister (Immigration).

Agreed: That a paper, prepared by the Department of Manpower and Immigration, entitled "Notes on Immigration to Canada from Countries of the Caribbean" be printed as Appendix "C" to this day's proceedings.

At 5.25 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Wednesday, June 25, 1969.

The Standing Senate Committee on Foreign Affairs met this day at 4 p.m.

The Acting Chairman (Senator Gunnar S. Thorvaldson): We have a quorum and shall now proceed with this meeting. As members are aware, our Chairman, Senator Aird, has just undergone an operation in Toronto. I am sure I speak for all of us in expressing our hope for his quick recovery.

As you know, this is the last meeting of the Committee for this session. We are very fortunate that in these hectic last days the Honourable Allan J. MacEachen has found it possible to join us and discuss immigration aspects of our relations with the Caribbean area.

Immigration questions have always figured prominently in our relations with the Caribbean, and several of our previous witnesses have stressed the critical importance of immigration for the region's overall economic and social development. I know that some senators have been preparing questions for this meeting for some time.

Naturally we are all glad and grateful that Mr. MacEachen could be here to amplify on the very useful report prepared by his department. On your behalf, I would like to welcome him very warmly.

Mr. MacEachen, would you care to make some introductory remarks, and then perhaps we will have questioning from members of the committee?

The Honourable Allan Joseph MacEachen, Minister of Manpower and Immigration: Thank you very much, Mr. Chairman and honourable senators. I am very pleased to have the opportunity to appear before you today and to amplify on the information that we did provide earlier to the chairman of the committee. We have tried to consider all aspects of your interest and will give you all the information that we have.

I am pleased to have with me today my Assistant Deputy Minister, Byrns Curry, who is the Assistant Deputy Minister of Immigra-

tion and Mr. Anderson, who is a member of the Immigration Division.

We did point out in our earlier submission that 1967 marked a water shed, in a sense, in the evolution of Canadian immigration policy. The regulations that were promulgated at that time placed our policy on a non-discriminatory and universalist basis. It is a selective policy of immigration related in some respects to the needs of Canada's labour market, but that policy is applied without discrimination, with respect to race, colour, creed or country of origin. While our policy is based on these principles of universality and non-discrimination it will take us some time to implement the policy in the way of providing facilities to receive and examine immigrants in all parts of the world. What we can say is that the old system was done away with in connection with immigration from the Caribbean. That part of the world was put on exactly the same basis as any other part of the world and the result has been a marked increase in immigration to Canada from the Caribbean.

I think it might be worth repeating the statistics for 1968 in the amount of 9,245 immigrants from the Caribbean in comparison with the 5,328 in 1966. We have, as a result of the new immigration regulations, opened offices and provided facilities in the Caribbean. In 1967 immigration offices were opened in Kingston, Jamaica, and Port of Spain, Trinidad, in order to provide service to the countries in the Caribbean area. Beginning early in 1968 additional staff has been assigned to these offices. Port of Spain now services all of South America in addition to the eastern portion of the Caribbean. The Kingston office now services the western Caribbean and Mexico. We service these countries on the basis of need by travelling teams, ordinarily twice a year, to examine applicants in these countries.

Mr. Chairman, I think maybe that will open the subject a little bit and I would be happy to try and deal with any questions that may be brought forward.

The Acting Chairman: Thank you, Mr. Minister. Senator Cameron, shall we ask you to begin?

Senator Cameron: I was not expecting to, but I shall be glad to. When we had a joint committee of the Senate and the Commons two years ago one of the things that intrigued me was the matter of immigration at that time, or the last statistics which indicated that about 3,500 had come in from the Caribbean area. I was greatly interested in the large number who were nurses aides, dental aides and so on. In other words, they were skilled people in the main and this was in line with our immigration policy at that time.

I was not here the day Mr. Demas attended and I am very sorry to have missed him. I gather from reading the evidence that there was some concern that we are still drawing a disproportionate amount of skilled people rather than unskilled people from the Caribbean. Is this still true?

Hon. Mr. MacEachen: I think it is true that at the present time we are selecting immigrants from the Caribbean in exactly the same way as from other places and that therefore there is an emphasis on the person with skill. This is undoubtedly true.

It is worth saying that the department has opened these facilities in these countries at least in part response to the request from these countries that we offer the same opportunities to citizens of these countries as we do elsewhere.

We do not actively promote in the Caribbean at all; we do not solicit; but we do accept persons who come forward and who seek to come to Canada; and we provide those persons with the same opportunities as we do to the citizens of other countries.

I do not think that the skill level which we draw from the Caribbean is greater than we draw from any other country in proportion in the various categories of immigration.

Senator Yuzyk: That is in Canada but we may draw more skilled proportionately from that area, than from other areas.

Hon. Mr. MacEachen: For example, I do not think that the skilled proportion we draw from the Caribbean is greater than the skilled proportion that we draw from other countries or from the world in general.

Senator Yuzyk: I was wondering what basis you are using—the Canadian basis, or the

basis of the countries themselves, in regard to the proportion.

Hon. Mr. MacEachen: The countries.

Senator Fergusson: To some extent, is this not defeating its own purpose? We are spending money to educate those people and to make them become skilled. Then, it is the skilled ones we really welcome and we are taking them off.

Hon. Mr. MacEachen: In the independent section of our movement there is a very heavy emphasis on skills, on education and youth but in the sponsored and nominated sections there is considerable leeway for the less skilled.

For example we have the statistics here there is a good proportion coming in from the West Indies as sponsored dependents, whose only qualification to come in is to be dependant on the person in Canada. There is that aspect.

In the nominated flow, which is the third category, there is a premium on skills, but less a premium than on the independent flow. So there is a leeway in that way.

The Chairman: While we are on that subject, Mr. Minister, I thought I would read to you a sentence from the evidence given before this committee by Mr. Damas some time ago. He said:

Any representative group of immigrants from the West Indies to Canada will be found to have a much higher proportion of skills than any representative group of people within the circle of the West Indies. This is a major area of weakness in the economy.

Would you like to comment on that, whether you think that is an accurate statement?

Hon. Mr. MacEachen: I would not dispute that at all. I would not confirm it either. We ought to bear in mind that the country of origin has a responsibility, too, in allowing people to leave the country. It is a shared responsibility in the sense that the country of origin, through its exist system, can control the departure of people, if it wishes. It is not simply Canada. We are obviously interested in getting people who will contribute to the cultural and economic and social development of Canada, but the country allowing them to come to Canada has made a decision also. Especially in the Caribbean, in its—I will not

say insistence but at least its indication that it wanted us to provide these services in those countries.

Senator Yuzyk: There has not been any kind of resistance by any of the governments, or an attempt to resist this flow to Canada?

Hon. Mr. MacEachen: Generally, the Caribbean countries are much happier with the new system than they were with the old system, which was discriminatory. There is no doubt about that, Mr. Curry?

Mr. R. B. Curry, Assistant Deputy Minister, Canada Immigration Division, Department of Manpower and Immigration: This comment might be pertinent to the question which has just been asked. I happened to remark to the minister, before we came here, that the three high commissioners—of Trinidad and Tobago, Barbados, and Jamaica—had asked me to a luncheon, to express appreciation of the work done by the department in the last several years in making the whole question of immigration much more pleasant and much more acceptable to them.

I have spent a good deal of time in the West Indies, and on the three islands in the last several years. I took this occasion, I hope tactfully and diplomatically, to thank them not only for the honour they paid the department but also at the fact that they wished to get together on this occasion as the three principal Caribbean islands that have not always been able to agree on all matters.

They all expressed the view that immigration decisions were much more to their liking than they may have been some years ago. I should tell you that even though it may be somewhat in the nature of hearsay evidence.

Senator Yuzyk: This is what I wanted to know.

Senator Cameron: This is very interesting.

Senator Laird: I have just returned from the United Kingdom, and I was there during the famous speech of Enoch Powell about offering \$2,000 to certain black immigrants—I should not say primarily but in some proportion from the Caribbean, to go back home. I was somewhat amazed at the rather widespread sentiment in favour of Mr. Powell. I did not find this only amongst the people in Mother England; I encountered it in Wales and in Cornwall and in Devon and so on. In adopting your new policy, do you have any apprehension that we might arouse similar sentiment in Canada?

Hon. Mr. MacEachen: That question relates to the earlier question about the selection of immigrants. It is possible to select immigrants to come to Canada who have no skills and who will gravitate towards the lower levels of the economy. Our ability to take increasing numbers of people from other countries, including the Caribbean, will depend upon the success with which they settle in Canada.

We believe that up to the present we have a good selection system, that those who have come from the Caribbean have settled with the minimum of difficulty—not without any difficulty but with the minimum of difficulty. We believe it has something to do with the care with which we select and the success that they have in settling satisfactorily in Canada.

It seems to me there has been some concern recently about the multi-racial composition of our immigration, because of what has happened in the United Kingdom and the United States and what has happened in Sir George Williams University.

We have seen a bit of concern in connection with those events. I am not concerned. I do not think the Canadian people as a whole are prejudiced on these grounds and I am not concerned, but that our immigration has carefully selected and that the people who come can succeed and settle satisfactorily in the country. If that happens we can continue our policy.

Senator Cameron: You said that last year 9,245 came to Canada, which is a substantial number. Where do they go mainly? As I recall, two years ago they mostly went to Montreal and to Toronto.

Hon. Mr. MacEachen: I think that is still true.

Senator Cameron: Then this would have some advantage from their standpoint. These are people who don't like to be isolated. In other words, they are affected by loneliness, if you just get one or two out in some isolated area. So there must be some substantial colony—if I may use that word—from the West Indies in Montreal and Toronto now, so that they can develop their own culture there. Are they spreading out beyond these large metropolitan centres to any appreciable extent?

Hon. Mr. MacEachen: My impression is they are not spreading out to any appreciable extent.

Mr. Curry: They tend to go to urban centres to begin with.

Senator Yuzyk: There are some in Winnipeg, too.

Mr. Curry: I was going to say that it goes much farther than just the large cities. For example, there are great numbers in Ottawa. If you have, for example, occasion to go to any high commissioners' tea parties, or cocktail parties and so on, you will find very often that the High Commissioner, for instance, for Barbados, Mr. Williams, will have a group of his compatriots come on some occasions and you will be quite surprised to see several hundreds among those who attend one of these parties. On the streets of Ottawa today I think one sees many more, as well.

The Chairman: Would you venture a guess, Mr. Curry, as to the actual number in Ottawa?

Mr. Curry: It would be the rankest sort of guess, senator. I should say certainly there are some hundreds of Caribbean origin who have settled in Ottawa in all stations of our society.

Senator Fergusson: And I understand there are quite a few Guyanese here.

Senator Carter: At the bottom of your first page, you give the increase in volume as 73.5 per cent since the new regulation, and that works out to 9,245 in 1968 compared with 5,328 in 1966. These are the figures the minister mentioned in his presentation. I am wondering what conclusions can be drawn from those figures. Do they include what might be called indirect immigration—that is, people who originated in the West Indies, then went to England and subsequently came here to Canada? Is there a breakdown of those figures into groups of direct and indirect immigration?

Hon. Mr. MacEachen: Yes. We have the proportions for 1967 and 1968, with respect to direct and indirect immigration. From 82 to 85 per cent in these two years was the direct immigration from the West Indies.

Senator Carter: This is direct.

Hon. Mr. MacEachen: Direct, yes. I was about 12 to 16 per cent via the U.K. and 1 or 2 per cent via the U.S. That is for the West Indies.

Senator Carter: And the amount of indirect immigration is still constant as compared with previous years?

Hon. Mr. MacEachen: Well, I can give you these figures as an appendix, if you like. In 1967, 82 per cent was direct from the West Indies and in 1968, 85 per cent was direct. From the U.K. in 1967 it was 16 per cent of the total and in 1968 it was 12 per cent.

I don't think there is much in the way of conclusions to be drawn from that, however.

Mr. Curry: Perhaps, if I could presume on Senator Carter's question, what he is looking for is to see if the pressures in Britain have caused a sizeable increase in the movement from Britain to Canada of West Indians.

Senator Carter: Yes.

Mr. Curry: I think the answer to that is probably no. While the West Indians have been under great pressure in Great Britain, they have nevertheless been digging in quite successfully in Great Britain. There has been no great wave of such emigration from Britain to Canada.

Senator Carter: I was thinking of the population pressure which is their problem in the Caribbean, since any reshuffling of those already out is not of any help to solving their problem.

However, the other conclusion from that would be that it would seem that your new regulations are much less restrictive than your old ones, because you have this tremendous increase of 73 per cent in three years.

Hon. Mr. MacEachen: Yes, there is no doubt that the new regulations have made it possible for greater numbers to come to Canada.

Mr. Curry: They were also given the benefit of an assisted passage, Senator Carter, which they did not enjoy before. It does not amount to a great deal, but to a native Caribbean it is a matter of \$125 or \$135 to come here, and they can get a loan which they could not get until two years ago.

Senator Carter: I want to go back to the aim of our policy. We don't promote emigration from down there, but, actually, are we not promoting it in a different way through these regulations, because we are really making it much easier for them to come if they want to come?

Hon. Mr. MacEachen: That is true. But it was a policy based on a universalist approach to every country in the world, where we can provide facilities to examine and receive them. I don't see how you can have a universalist policy operate any other way, unless we say we won't take people from the Caribbean, but will put a quota on the Caribbean. Then we would be accused of discriminating against the Caribbean, as we were before. We were bitterly criticized for discrimination before.

Senator Carter: Has our relationship improved? The sore point in external relations between Canada and the West Indies was our immigration policy. Has that improved now since the new regulations came into effect?

Hon. Mr. MacEachen: There is a realization that there is no discrimination against the Caribbeans, that the same principles apply. To that extent there is some gratification of improvement of relations.

There is some concern about the brain drain from the Caribbean. Students come into Canada from the Caribbean and may not return. That is a matter of concern to them. We had in 1968 about 4,000 or 5,000 students studying in Canada from the Caribbean and that is a big block of manpower.

Senator Carter: You mentioned earlier about some responsibility residing in the country of origin to sort of restrict the movements of their nationals outside, if they wished. But the unrestricted movement of an individual is the mark of a free citizen and it is one of the human rights under the United Nations. I don't see how they can restrict such movement.

Hon. Mr. MacEachen: Exactly.

Senator Carter: I don't see how they could say claim to any democratic procedures, if they did indulge in any form of restriction of their nationals outside their borders. They would be going back to the type of practice seen in the Iron Curtain.

Hon. Mr. MacEachen: If, for example, the country of origin provides a scholarship for study to a student from Jamaica, say, to study in Canada for two years, surely under those circumstances there is some control that the sponsoring country could exercise. These students undertake obligations to return to their own countries because they get scholar-

ships under international agencies and in some cases they do not go back.

Senator Carter: Do we not have a responsibility to send them back under those circumstances?

Hon. Mr. MacEachen: We do and we try, but it is not easy to enforce. We may refuse to land the student, for example, as a permanent resident in Canada, but we have no control over his departure from Canada into another country.

If we took action unilaterally in a very restrictive way we would be subject to the kind of criticism that arises from the declaration of human Rights and the movement of people. In order to be effective and to really control this you would need a general agreement which seems unlikely, because of the declaration of Human Rights. That is why I come back to the case of students, whether it is not worth careful consideration by the originating countries to establish their own control over students who are assisted under certain conditions so that they will return for a period of time to their own country and help them out. It is a real problem.

Senator Fergusson: I first intended to ask about immigration posts that we have serving the Caribbean region, but the minister has answered that already. I gather from what you say, Mr. Minister, that we are just giving a service where it is requested and we are not doing anything aggressive in this field. I suppose having two posts down there is enough, but it seems to be rather scattered. Does it give people an opportunity to get to the posts? With regard to the people who are serving in these posts, I should like to know—I presume they are doing a counselling service with the applicants, but what training do they have in counselling? I should also like to know if after the immigrants come to Canada, do we continue to counsel them so that we can get them satisfactorily settled or must they settle these problems on their own?

If we have counselling in Canada, what training have those counsellors had in this area? This is a very specialized area. Are the people working in these posts trained in this field?

Hon. Mr. MacEachen: Well, in the Caribbean, as I said, we have two offices, one in Kingston with three Canadians and five locally engaged staff and one in Port of Spain,

Trinidad, where we have five Canadians and 12 locally engaged employees. These people travel to various countries depending upon the interest or the number of applications. I suppose they visit these countries approximately twice a year, Mr. Curry?

Mr. Curry: That is right.

Senator Fergusson: The two posts could not even cover the whole Caribbean in that time, could they?

Hon. Mr. MacEachen: Sure they do.

Mr. Curry: They respond. For instance, the South American country you mentioned before, Guyana, is served quite adequately from Port of Spain, which is not far away. They go in twice a year and give ample notice to the people concerned that they are going to visit.

Hon. Mr. MacEachen: I want to mention one aspect. I recently looked at the Foreign Service Offices in the Immigration Department. It is the oldest foreign service in Canada in this department and the proportion of highly educated, youthful immigration officers is surprisingly high indeed, serving all over the world.

Senator Fergusson: You said youthful and ...

Hon. Mr. MacEachen: Youthful and highly educated.

Senator Fergusson: You need more than to be highly educated.

Hon. Mr. MacEachen: There is a considerable staff development and staff training. I am not going to say more than that regarding the department, but I think this department puts a very high emphasis on staff training and staff development in order to carry out the kind of important counselling, which is the main part of the interview with the applicant coming to Canada. There is quite a period of counselling and they are trained in that field. Maybe you would like to add to it.

Mr. Curry: I would say that on the whole, our people are getting a year and a half of training after they come from the university to us, and they come in numbers of approximately 30 a year into the immigration service. They are very experienced in the manpower centres in Canada where counselling is going on steadily. You might say that they put in an apprentice capacity abroad, as juniors to more experienced officers until they get the

feel of it. They are quite well equipped, comparatively, to do the job that I know you have in mind, Senator Fergusson.

Senator Fergusson: I can understand they do very well. Honourable senators might be interested to know that I was trained under Mr. Curry once in the Civil Service. I do not know how well he did with me, but he did well with the others.

I should like to ask one more question though. In teaching counselling, is the aim of the counsellor to give service to the applicant or to the immigrant, as a human being, or is his objective to direct them into work that will be important for the economic benefit of Canada? I am not just saying this off the top of my head. This may be hearsay too, but I have heard that the objective is to see that the economic good of Canada is served rather than the human needs of the immigrant. I should like to know if there is any instruction given along this line.

Hon. Mr. MacEachen: Mr. Curry would like to discuss it with his former apprentice.

Mr. Curry: She was by no means an apprentice. We will get to that on another occasion as to who was who. I had the same sort of relationship with Senator Cameron at one time too, but in a different capacity.

If we go right back to the objectives of the department, for instance, when we go to the Treasury Board for money or when the minister has to make our case for dollars and for man-years, the two aspects of immigration are given very great strength. One aspect is serving the economic needs. What do immigrants do for the economy of Canada? Those of us experienced in the welfare field never lose an occasion to say there is another aspect to immigration. That is the social or the humanitarian one, as you put it. Indeed the Government of Canada has amply recognized this in the adoption of the White Paper on Immigration where the place of the sponsored and the place of the nominee was fully recognized. A lot of people even yet do not realize that the sponsored person is the only immigrant who comes to Canada by right. He is the only one who comes by right under our law, whereas the independents and the nominated actually come by privilege. This, I think, underscores the social aspect of the whole process.

Hon. Mr. MacEachen: I think it is worth pointing out, senator, that of the total immi-

gration flow into Canada at present only about 50 per cent is based on skill requirements or economic considerations. The rest is a big blend of humanitarianism. That is a pretty big part of the total flow.

Senator Fergusson: This is practical too. If you make it possible for them to fulfill the best that we have they are going to be more happy and will make better citizens and in the end it will be to our advantage. Are there many who come to Canada who get discouraged and go back to the Caribbean?

Hon. Mr. MacEachen: Our general information on the life course of immigrants is not too good. This year we have launched a new study on the social and economic adaptation of immigrants. It will run for three years and will concentrate upon the occupational and geographical pattern of immigrants, their incomes, their assets, their spending patterns, how they have been treated in Canada, how they have settled in Canadian life, how many have left. We will cover 10,000 persons a year, beginning this year. We hope to receive periodic reports from those immigrants giving information on a number of things we did not have and that we ought to have, to answer this kind of question.

Senator Yuzyk: Would this be on post-war immigrants, and from various countries?

Hon. Mr. MacEachen: Yes.

Senator Pearson: Have you a regular course of counselling or training they go through when they join?

Mr. Curry: Yes. The course follows the academic year as people come out of universities, so there is some overlapping as each person has more than a year's training. This is going on all the time in one form or another. We try to get them out into other fields, to give them job information and make them familiar with other parts of Canada, for example, that those in the Maritimes can visit western parts. When we recruit immigrants we do not do so to bring them to any particular place but to Canada as a whole.

Senator Pearson: Is there a population explosion in the islands?

Mr. Curry: Very much so. This is seen in unemployment rates especially in Trinidad, as compared with our current unemployment rate of five or six per cent.

Hon. Mr. MacEachen: Less than five.

Mr. Curry: When I was in Trinidad in December last I was alarmed to find that it was about 15 per cent there.

Senator Pearson: So there is pressure to go to Canada.

Mr. Curry: To go anywhere.

Senator Pearson: Is there any percentage going to South America?

Mr. Curry: Some to Guyana, which is an immigrant-receiving country, having fewer people than they want to have.

Senator Pearson: What about British Honduras?

Mr. Curry: The movement to Honduras is very small.

Senator Pearson: Why is that?

Mr. Curry: I suppose because the chances of a Caribbean native to do well in Honduras are much less than they would be in Canada, so Canada is more attractive.

Senator Cameron: I was in the Caribbean last year and was given to understand that unemployment was up to 20 per cent in Trinidad, which is a big problem. I am interested in this study you mentioned and think it is an excellent idea. What kind of people are carrying it out? Have they university training?

Hon. Mr. MacEachen: This would be a study developed in our own program development service in the department, in the evaluating research division. We have a highly qualified group in that division. I am not certain whether any part of the study is being contracted out to a research organization.

Mr. Curry: These are economists.

Hon. Mr. MacEachen: Mostly economists.

Senator Cameron: It is a very useful thing.

Hon. Mr. MacEachen: Many questions are asked about immigrants and we do not have the data. As to their economic contribution, for example, that information is important to the country. Such contribution is not fully appreciated. It is very great. We think this study will show us more about that and about other things also.

Mr. Curry: Senator Cameron will appreciate there has been a reluctance to follow immigrants earlier, because many people, Canadians and immigrants themselves,

thought it might smack of some degree of surveillance, which was pretty unwelcome. But this idea of follow-up has been sold in such a way that these people now are eager participants in this sort of study.

Senator Cameron: What percentage of people in the universities—you said there are about 4,000 or 5,000 there—are returning and what percentage remaining in Canada?

Hon. Mr. MacEachen: We have statistics here which indicate in a rough way, between the number of students admitted to Canada and those who have been “landed” as permanent residents. There is a time lag in the proportioning but it gives a rough guide. It is:

In 1965 — 11.09 per cent

In 1966 — 10.33 per cent

In 1967 — 9.72 per cent

In 1968 — 15.85 per cent

Senator Cameron: Remaining?

Hon. Mr. MacEachen: Who have been “landed” for permanent admission in Canada. That is not those who have applied, but those who have been landed. It may have a time lag of one year but it gives some idea of the proportion.

Senator Cameron: Could we interpret from that, that 85 per cent are returning to their homelands, of those university trained people?

Mr. Curry: Yes.

Hon. Mr. MacEachen: Or they are not “landed” in Canada. They may go to some other country.

In this case, if a student marries a Canadian citizen or a Canadian resident, we would as a matter of course “land” that person in Canada, if it were demonstrated that they had discharged their obligations to the sponsoring agency for their education, we would land them also. Barring those two considerations, and some of the loopholes I have mentioned, we would return them home.

Senator Fergusson: Do you know what proportion marry Canadians?

Hon. Mr. MacEachen: No, I do not.

Senator Quart: Many of my questions have been answered. I would like to refer to the second page of the brief, where it says the Canadian Government has an assisted passage loans scheme available to immigrants. Now, just about what percentage do you give for

this passage home scheme? You mention here that they should pay back within a reasonable time, but do you have to write off many of these loans or just about what percentage do you manage to collect?

Hon. Mr. MacEachen: I think we can give you the figures.

Senator Quart: Is it a total loss?

Hon. Mr. MacEachen: No, it is not a total loss.

Senator Quart: Do you have to follow it up or do they have to sign forms or anything?

Hon. Mr. MacEachen: We try to follow it up because we have a fund which we want to maintain in order to make it available to future immigrants. As a matter of fact, the other day I approved that the department retain the services of a collection agency to collect these loans. It is not that we are going to harass people. In fact, we will not press people who are hard-up, but we do think it is fair to ask a person who has settled and who has a good job to pay up so that our fund will be replenished in order that we can help more people in the future.

Now, we can show you the percentage of delinquents, if you like.

Senator Quart: No, I was just curious.

Hon. Mr. MacEachen: It is a pretty good performance, I think.

It depends, too, on the intensity of our interest in collecting. People like to be reminded and want to be reminded.

Senator Fergusson: You could not collect from the ones who have gone back home very well, could you?

Hon. Mr. MacEachen: No, we write those off.

Senator Quart: I would imagine so.

Do the majority of the students who come here from the West Indies do so on scholarships from their countries or do we have some scheme whereby we advance them student loans?

Hon. Mr. MacEachen: I am not on certain ground there, but I do not think we do.

The Chairman: Honourable senators, I am afraid the minister has another appointment

at five o'clock and must leave us now. I am sure Mr. Curry will be glad to answer any questions you may want to ask.

Senator Quart: Mr. Curry, I should like to know more about the two immigration offices you have with respect to the West Indies. Do you receive more applicants from Port of Spain or from Kingston? It seems to me that in respect of domestic servants and so on there are more Jamaicans here than other West Indians.

Mr. Curry: Traditionally, Jamaica has sent more immigrants because, as you know, Jamaica is by far the heaviest populated island. The proportions work out probably very much in the order in which we have divided it acceptably to the West Indians. Some are workers who come for work in our tomato crops and other crops, particularly in Ontario, and we worked out a formula which is rather rough but which is acceptable. Fifty per cent of those people should come from Jamaica; 30 per cent from Trinidad and 20 per cent from Barbados. This gives Barbados a pretty good edge because their population is much smaller, but this formula does work out and the numbers who come are not too badly off in that proportion.

The greater number still come from Jamaica.

Senator Quart: I guess the employment in Trinidad might have some effect on the number leaving there as well, since Trinidad has a higher employment rate than the other islands. It is the most advanced island in terms of economy.

Just out of curiosity, can you tell me what happens to the sponsored immigrants? For example, what happens to a sponsored immigrant if the sponsor withdraws his sponsorship once the immigrant is here?

Mr. Curry: Actually, we cannot enforce the sponsorship because it is a matter of a moral rather than an enforceable contractual obligation. We will be as helpful to the immigrant as we can possibly be in getting him work and seeing that he gets on.

This does not arise very often, in any case, under the new regulations, because the sponsored person is a very close relative. If he is not within the degree of proximity in relationship that is required under the new regulations, he can only be a nominated immigrant. That is a new class introduced by the new regulations. The sponsored immigrant

must be a near and dependant relative. It is usually the husband, the wife or a minor child.

Senator Quart: It is not a domestic or any-one of that sort?

Mr. Curry: No. A domestic cannot be sponsored at all by a person not immediately related. Many good Canadians who go down to the West Indies and see a waitress or a waiter or somebody else who attracts their attention and would like to have him or her in the household mentions it to the person concerned and, upon returning to Canada, such Canadians get in touch with us by letter to the effect that they would like to sponsor the particular person. Unfortunately, our law does not permit that.

Senator Carter: I should like to return to the question of students. I can understand that when a student comes here on a scholarship he has a responsibility to go back, and we have a responsibility to see that he does so far as we can. But are students a very big proportion of the people who come in? Do we have any figures on the proportion of Caribbean students studying here who apply and receive permanent admission?

Mr. Curry: I think the minister just told you that last year 15 per cent of those students who were here applied successfully for landing.

Senator Carter: What would that mean in terms of actual numbers?

Senator Cameron: I believe the minister said between 4,500 and 5,000.

Mr. Curry: That was altogether.

The Chairman: That is the number of students in Canada at a particular time, such as at the present.

Mr. Curry: In 1968, which is a pertinent year, there were 3,698 students from the Caribbean area in schools in Canada. Roughly 3,700. During that year we landed close to 600. That is not 600 of that 3,700, but 600 out of all those who were here in Canada at the time they applied for landing.

Senator Eudes: Does that mean, then, that when a student has been admitted he has the privilege to file an application to become a landed immigrant?

Mr. Curry: He has to apply, as anyone else has to apply in Canada, and he must meet the

conditions we give, the qualifications for any person. It may be that, as a student even, he might not meet our qualifications.

Senator Eudes: His case becomes the same as any other's.

Mr. Curry: Exactly the same as a young man in Britain, in France or any other country who applies to come to Canada as an immigrant.

Senator Eudes: Is there a difference between an application from a student and an application from another person who comes here as a tourist, for instance?

Mr. Curry: Only in terms of his qualifications. He is the one who causes the difference. Incidentally, a person who applies in Canada for landing in Canada automatically loses ten points out of the necessary points needed for qualification had he applied at home.

Senator Eudes: Suppose his application is not accepted.

Mr. Curry: He is invited either to leave voluntarily or he will run into a deportation order.

Senator Eudes: The usual special investigation and then to the Appeal Court of Immigration?

Mr. Curry: What we call, for want of a better term, due process of law.

Senator Eudes: When the Appeal Court has rendered its decision the minister has no power but to amend or correct the decision?

Mr. Curry: No. The question of decision is taken from the minister under the legislation and put into the Appeal Board.

Senator Eudes: The Appeal Board decision is final?

Mr. Curry: Except for application to the Supreme Court of Canada.

The Acting Chairman: Mr. Curry, would it be accurate to say that one of the larger problems that you have to deal with consists of these people who land in Canada and stay here for a few months and then apply to become citizens? What is the nature of the problem from the point of view of seriousness?

Mr. Curry: This is a very large problem in immigration generally and has no more application to the Caribbean, West Indians or

indeed to coloured people than it has to hosts of other people. In Canada, at any one time, there are probably 30,000 or 40,000 people who are here as non-immigrants and who have perhaps overstayed their permitted time. They came as visitors or tourists. They liked it and decided that they would like to stay. They frequently like to stay without telling us. We do not have the alien registration system that the United States has. Anybody who is an alien in the United States must register every January. These people tend to become blurred in our population and our trouble is to determine who they are because they are here without a right after they have overstayed their permitted leave. We are studying very hard with the assistance of other Government departments, whether through the help of the Department of National Revenue (Income Tax), the Unemployment Insurance Commission, Dominion Bureau of Statistics or through the National Health and Welfare, which pays various welfare allowances, how we can determine better who these people are and take care of the illegality.

This is a very heavy burden on us because we let them in. Seventy million people cross our border every year from the United States alone who have not been admitted as immigrants at all. A good many of those people may elect to remain, by their own volition. This is a very real problem.

The Acting Chairman: Senator Fergusson, you had another question?

Senator Fergusson: No.

Senator Carter: I was not quite clear what the minister said earlier about these students that are here on scholarships. Are they admissible to Canada if they are here on a Commonwealth scholarship or a Canadian Government scholarship? Are they admissible as immigrants without approval being required from their own government?

Mr. Curry: No.

Senator Carter: They must get—

Mr. Curry: That is right. If a person were here under those terms he must be cleared by the agency that granted him the help, whether it is his own government, the United Nations, or some other source.

Senator Carter: That applies to all foreign students on scholarships?

Mr. Curry: That is right.

Senator Carter: Not to private students?

Mr. Curry: No, those who apply on their own have no obligation to anyone except their parents, perhaps.

Senator Carter: I should like to ask another question about the finding of some multilateral agreement to control skilled immigration from developing areas. Has there been any thought given to that sort of thing?

Mr. Curry: In what way, senator, do you mean to control?

Senator Carter: Obviously, there has been some sort of an international agreement, multinational agreement.

The Acting Chairman: You mean to prevent when you speak of control? You mean to prevent immigration of skilled people from...

Senator Carter: Some of the developing countries, yes.

Mr. Curry: I think you have made the point, and perhaps the minister made it before, that this sort of thing cannot be done by a unilateral action on the part of Canada because it runs counter to the position the Government has taken in regard to the world as a whole. Therefore, it is incumbent on us not to say to a skilled person that he cannot come to Canada because it is not in the best interests of his own country. If there is any unilateral action, it is the responsibility of his own country. But that runs counter to the rights of people to move. As the minister said, it is the sort of thing that could only be done under some international auspices such as an agency of the United Nations—for example, the International Labour Office.

Senator Carter: Has anything been done along that line?

Mr. Curry: No, except to try to bring home to the countries concerned, who might make that pitch, that it is not the prime responsibility of Canada. Within the last year we have invited some of the governments of the West Indies, whom we thought were likely to be concerned about this, if they wished to express their concern and if they wished to do anything about it, and we have as yet had no response.

Senator Laird: They will do it privately, Mr. Deputy Minister. I had a blast in London

from Mr. Meredith of the Commonwealth Parliamentary Association—you may know him.

Mr. Curry: We feel it should come from the country concerned. We cannot be universal in our policy, with free access to everybody, and then turn around and say except, except, except. It is a hopeless position.

Senator Cameron: I was interested to see there has been a recent upsurge in immigration from Haiti. I presume this has been since the new policy came into effect.

Mr. Curry: Yes.

Senator Cameron: The reason I was interested was that I was in the Bahamas a few years and quite a number were coming in there from Haiti and the comments of the Bahamians on the Haitians were that they stayed in a little enclave of their own, lived in primitive circumstances, and sent their money back to Haiti. I wonder what numbers are coming from Haiti. These would be unskilled, I presume?

Mr. Curry: Our statistics tend to group them in terms of the West Indies as a group, or the Commonwealth West Indies, and it is not broken down, but we could get that information.

Senator Cameron: I would assume it is a small number?

Mr. Curry: It is, indeed. You were speaking, senator, about people who come legally from Haiti. However, we found a group had come in as university professors or school teachers and were living in Amos and Abitibi, in the Province of Quebec and were getting on there and were well accepted in the community, but they had no legal right to be in Canada. And the women had come along to ask for their husbands to join them as professors. This is one of the cases the chairman was speaking of, in regard to trouble with illegal people in Canada.

Senator Fergusson: You have told us today that it is only two years since the Caribbeans were made eligible for immigrants assisted passage loan schemes. How many have taken advantage of it?

Mr. Curry: Quite a small number. Most of the immigrants from the Caribbean feel they would rather get up here and pay the modest passage—as compared with the cost from Europe—and not have a loan hanging over their heads.

Senator Fergusson: How does the proportion of people from the Caribbean taking advantage of those loans compare with the proportion of other immigrants?

Mr. Curry: In the case of the older source countries of Europe, I would hazard a guess that the proportion from the West Indies is very considerably lower than it is from Britain, for example. That is due to a number of reasons. There is stiff competition in Britain. For example, Australia offers an assisted passage to Australia for only ten pounds, which is only twenty five dollars, and Australia pays the rest. Therefore, they are looking for as good a bargain as they can get to come to Canada. If their loan appears to be a bit of a bargain they take advantage of it.

Senator Fergusson: How do you determine whether they are eligible for such a loan? What is the standard?

Mr. Curry: They have to demonstrate to us that they have a certain earning capacity and would be in a position to repay the loan. They have to put down a small part of their own money against the loan, which is a modest sum of \$50, and they have to settle in a high occupational demand area in Canada. All that gives us confidence that they would be likely to repay their loan. The loan is drawn from a revolving fund and the amounts we collect back pretty well match the amounts put out.

Senator Gouin: Do students come here for a general education or do most of them go to certain faculties? Two years is not a very long period to stay at a university. Have you any statistics or information on that?

Mr. Curry: They usually come for a full course. A considerable number come for post-graduate work or professional training. The University of the West Indies, which I take it you visited, senator, has become quite well established and has increased its standards. Of course, I take it you know that the university of the West Indies is assisted directly by Canada through our aid program.

Senator Gouin: Is a large percentage of female immigrants from the West Indies employed as servants?

Mr. Curry: There has been a large percentage. We had an agreement with the West Indies over some years past, by which the number 250 a year were admitted as domestic servants. This was doubled in 1966, at the

time of the Canada-Caribbean Conference here in Ottawa, to 500. Due to changes in policy in 1967 we thought it wise to get rid of agreements with other countries because we were rather discriminating between countries with whom we had agreements and those with whom we did not. By negotiations we were able to eliminate this agreement with the West Indies. Domestic servants come because they qualify as such, and the numbers are of about the same order as before. Domestic servants, being female, mainly, run into certain social problems, because frequently in the communities where they live there are not enough immigrants of their own racial and cultural background to meet their needs. There is a certain social imbalance arising because of this, about which we are somewhat concerned.

Senator Gouin: Do many of these domestic servants stay indefinitely in Canada?

Mr. Curry: Quite a number stay, yes. We admit them now as domestic servants, but thereafter, having been admitted, they have every right to stay and it is not necessary that they maintain their status as a domestic servant. Usually they very quickly find that girls in factories, hosiery mills and textile mills, particularly in Quebec, can earn a good deal more than domestic servants, and away they go. This is their option, as it is the option of anybody in Canada.

Senator Gouin: Thank you.

Senator Fergusson: Do you say that the domestic servants are all female? Do you not have any men coming in as domestic servants? Are there not lots of houseboys?

Mr. Curry: Yes, some. Most of them are female, having been trained in excellent schools, particularly in Barbados, for domestic service. The three governments have all been quite alert to the need to train their girls for service outside the islands.

Senator Carter: Are the girls trained in domestic service rated on their skills in the same way as if they were machinists or plumbers?

Mr. Curry: That is right, and on the occupational demand for their services.

Senator Carter: I wish to follow up a question raised by Senator Cameron concerning Haiti. In appendix A the figures given show a substantial drop: in Jamaica from 3,459 to 2,886; in Barbados from 1,181 to 821. Then

lesser drops: in St. Vincent from 250 to 220; St. Lucia from 135 to 73; St. Kitts, 107 to 63, and Grenade 139 to 120. Are these drops the effect of any new regulation?

Mr. Curry: Not just the effect of any new regulation. It is the effect of a world-wide drop in immigration to Canada in 1967 and 1968. You will recall that the drop last year compared with 1967 from all over the world was roughly 20 per cent, but the drop from the West Indies was only 10 per cent.

The Chairman: Senator Carter, may I intervene here for a moment. We require a motion to the effect

That a paper, prepared by the Department of Manpower and Immigration entitled "Notes on Immigration to Canada from Countries of the Caribbean" be printed as Appendix "C" to this day's proceedings.

Will you move that, Senator Quart?

Senator Quart: Seeing that you kept me here to make a quorum, I will be very happy to move it.

Senator Carter: But this is much more than 20 per cent when you go from 2,400 to 2,200 from Jamaica.

Mr. Curry: The drop from Jamaica may have been that proportion but the total Caribbean drop was 10 per cent as compared with 20 per cent from all over the world. One of the reasons for that was the lower economic activity in Canada.

Senator Carter: What special factors came into play to affect Jamaica and Barbados?

Mr. Curry: A special factor may have been the unusually large numbers of those who came in in the previous year. In other words 1967 was a particularly large year for these people. I think in 1968 the figures would be more normal than those for 1967 would be.

Senator Carter: I have one more question: in trying to cope with this problem of helping them out with their pressure of population and at the same time not draining off too many people or too many skills, we cannot prohibit the ones who are free to come and who want to come. But along with that could we do a little more to bring those who may not be skilled or those who may not be trained but who are trainable? Do we have some way of assessing their aptitudes or trainability so as to treat them and give them the same number of points for trainability as if they were already trained. Have you given any thought to that?

Mr. Curry: We have given thought to it but it does not lead us to a very realistic conclusion. We apply a universal policy and we cannot entertain a program of that sort for the West Indies any more than we can for India or China or any other countries from which we receive immigrants. If we were to embark on a policy of taking those who are unqualified and bringing them to Canada for training we would end up with a colossal problem. In the West Indies you have some few millions of people to whom this could be applied whereas in India you have 600 million people for whom the same argument could in effect be made. Some years ago the Italians used it to suggest that we should take some of their unskilled people and train them in Canada and in my judgment the most aggressive—perhaps I should not use that word because they are not aggressive—but those who pushed the Italian case most strongly and longest have ceased and abandoned any argument of that sort.

The Chairman: Honourable senators, I think we are ready to adjourn, but before doing so I want to thank Mr. Curry and Mr. Anderson for being with us.

The committee adjourned.

APPENDIX "C"

NOTES ON IMMIGRATION TO
CANADA FROM COUNTRIES
OF THE CARIBBEAN

A. IMMIGRANTS

Basic Policy Applicable to All Countries

The principal objective of Canada's immigration policy is to stimulate Canada's growth by admitting immigrants from throughout the world who can contribute to its economic, social and cultural development. At the same time Canada's immigration policy recognizes the right of Canadian residents to facilitate the admission of their relatives, and accepts the obligation to participate in programs for the assistance of refugees by relaxing normal admission standards on their behalf.

Regulations were introduced in October, 1967, which provided a new basis for the sponsorship of dependants, the nomination of a broad group of other relatives and the selection of independent applicants. Dependents of Canadian citizens and residents are admitted to Canada without regard to their personal qualifications or the financial circumstances of their sponsors. Nominated relatives are assessed on five factors: education and training, personal assessment, occupational demand, occupational skill and age. Independent applicants are assessed on the foregoing five factors plus arranged employment, knowledge of English and French, the existence of a relative in Canada willing to provide assistance and employment opportunities in the area of destination. The selection criteria are applied without discrimination as to race, colour or geographic origin and take into account the need to select immigrants who can establish themselves successfully in Canada's technical, industrial and urban society.

Immigration from the Caribbean

There has been a steady movement of immigrants from the Caribbean over the years. The volume increased by 73.5 per cent since the new Regulations came into effect in October, 1967 (9,245 in 1968 as compared with 5,328 in 1966). See Appendix "A" for statistics on the individual countries.

Assistance in Coming to Canada

The Canadian government's Assisted Passage Loan Scheme is available to immigrants

from Commonwealth countries of the Caribbean in the same way as immigrants from Europe. Selected immigrants may receive loans to cover the whole or part of the transportation expenses for themselves and their families from their home country to the destination in Canada. It is expected that the loans will be repaid within a reasonable time after admission to Canada, usually two years.

The Brain Drain

Canada's immigration policy is premised in large part on the acceptance of immigrants whose skills might contribute to our national development. This does not mean that we accept only university graduates, professionals or highly-skilled people. In fact, as is the case with the immigration movement from all other countries, the Caribbean movement includes a full cross-section of all skill levels.

Nevertheless, Canada recognizes that the emigration of skilled people represents a considerable loss to the countries they leave, of investments in education and training. For this reason it has been a policy of long standing not to promote emigration from developing countries (although services are provided for those who have expressed a desire to move to Canada). In respect of immigration from the Commonwealth countries of the Caribbean, it might be noted that Canada has accepted immigrants from this area and established offices in Port of Spain and Kingston, largely as a result of requests from the West Indian officials that their citizens should be offered the same opportunities for migration to Canada as citizens of all other countries. With the removal in 1967 of the last vestige of discrimination from Canada's immigration laws, we consider applications from citizens of the Caribbean area in the same way as we deal with applicants from other parts of the world.

While recognition of the rights of the individuals to leave their country is a principle enshrined in the Declaration of Human Rights, several countries have placed restrictions on the emigration of their nationals. Our immigration activities in particular countries take these restrictions into account but we do

not, ourselves, impose any restrictions on persons who can meet the requirements of the Immigration Act and Regulations.

Immigration from the French West Indies

Discussions have been held with the French authorities on the question of immigration to Canada from the French West Indies. While Canada would welcome the opportunity to select immigrants from this area, we do not intend to carry out promotion or special recruitment because we recognize that they need their skilled manpower for their own economic development. However, as is the case with all other poor or developing countries, applications from persons who apply on their own initiative are considered.

B. NON-IMMIGRANTS

The Immigration Regulations exempt citizens of all countries of North, South or Central America and adjacent islands from the non-immigrant visa requirements. This exemption has been in effect since 1953, and, of course, includes all Caribbean countries.

The visitor movement from the Caribbean has been increasing from year to year. Statistics on the number of visitors during 1968 are not yet available; however, the figure for 1967 was 50,245.

The Student Movement

The student movement has been significant for many years. Canada has recognized that because there is a shortage of technical and higher education facilities in many Caribbean countries, and because we are near neighbours and friends of these countries, we should assist in their economic development by providing educational opportunities for as many

of their students who choose to study here and who are accepted by our schools as full-time students. During 1968 there were 24,739 students from all parts of the world (over 166 countries) registered in Canadian schools and universities. The largest number came from the United States (7,779), followed by the Caribbean area (4,242).

We co-operate as fully as possible in encouraging the return of students who come here under international auspices, or with a commitment to return home after they have completed their training. In the case of the latter, they must secure clearance from their government before we consider their applications for permanent admission.

Seasonal Workers

Responding to requests from Commonwealth countries of the Caribbean, Canada has approved an annual movement of seasonal agricultural workers to Southern Ontario from Jamaica, Trinidad and Barbados. In 1967, 1,077 such workers came forward and in 1968 the number rose to 1,258. Their contracts, lasting for periods of up to four months, were arranged in co-operation with the governments of the three sending countries to guarantee wages and living and working conditions at least equivalent to the terms offered to Canadian workers doing similar work. Reports from Canada Manpower officials in Southern Ontario indicate that the 114 Canadian employers involved generally were well pleased with these experienced farm-workers and hoped to hire them again in 1969. A 1969 contract has been arranged, differing from the previous contracts only in that higher hourly wage rates will be paid this summer.

IMMIGRATION FROM BRITISH HONDURAS, BERMUDA, GUYANA
AND THE CARIBBEAN ISLANDS

(Commonwealth Countries)

Country	1964	1965	1966	1967	1968
British Honduras.....	5	8	10	33	23
Bermuda.....	82	120	198	179	192
Jamaica.....	912	1,214	1,407	3,459	2,886
Trinidad.....	467	775	1,113	2,325	2,393
Tobago.....	4	5	14	15	26
Barbados.....	422	560	699	1,181	821
Anguilla.....	—	—	4	7	6
Antigua.....	35	52	50	114	148
Bahama Islands.....	21	22	30	74	61
Barbuda.....	—	—	—	2	—
Cayman Islands.....	—	1	5	6	5
Dominico.....	22	22	42	105	99
Grenada.....	32	48	82	139	120
Montserrat.....	17	19	12	25	26
Nevis.....	1	6	6	15	18
St. Kitts.....	22	38	40	107	63
St. Lucia.....	31	41	52	135	73
St. Vincent.....	82	117	185	250	220
Turks and Caicos Islands.....	—	—	1	—	—
Virgin Islands, British.....	1	1	—	3	1
Other West Indies, n.e.s.....	3	5	4	—	3
Guyana (Br. Guiana).....	614	609	628	736	823
Total.....	2,773	3,663	4,582	8,910	8,007

MIGRATION FROM COUNTRIES BORDERING ON THE CARIBBEAN SEA

(Other than Commonwealth Countries)

Country	1964	1965	1966	1967	1968
Costa Rica.....	3	10	37	3	21
El Salvador.....	3	1	2	4	5
Guatemala.....	9	6	3	14	13
Honduras.....	9	5	5	7	22
Nicaragua.....	—	2	5	10	5
Panama.....	5	7	11	13	13
Cuba.....	29	23	27	34	45
Dominican Republic.....	7	22	8	39	23
Netherlands West Indies.....	15	30	40	30	27
Guadeloupe.....	3	1	3	16	16
Haiti.....	62	88	84	291	444
Martinique.....	3	3	11	11	22
Mexico.....	136	147	114	318	245
Venezuela.....	336	310	317	374	206
Columbia.....	74	47	79	87	131
Total.....	694	702	746	1,251	1,238



Second Session—Twenty-eighth Parliament

1969

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

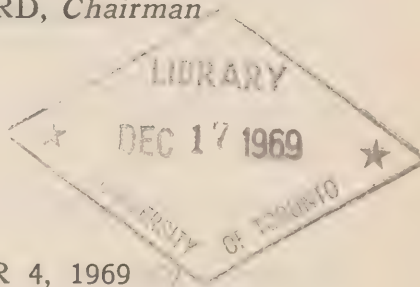
No. 1

TUESDAY, NOVEMBER 4, 1969

Respecting
THE CARIBBEAN AREA

WITNESSES:

From the Canadian International Development Agency: Mr. Maurice F. Strong, President; and Mr. A. J. Darling, Head of Commonwealth Caribbean Planning Division.



THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Croll	Macnaughton	Robichaud
Davey	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

MINUTES OF PROCEEDINGS

TUESDAY, November 4, 1969.

(1)

Pursuant to notice, the Standing Senate Committee on Foreign Affairs convened at 4.00 p.m. this day.

Present: The Honourable Senators Aird (Chairman), Cameron, Choquette, Grosart, Haig, Laird, Martin, Quart and Robichaud. (9)

Present though not of the Committee: The Honourable Senators Argue and Thompson. (2)

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

At the suggestion of the Chairman (Senator Aird) and on motion of Senator Haig, Senator Grosart was elected Deputy Chairman.

On motions by Senator Haig, the Committee resolved:

- a) That a Steering Committee be appointed, comprised of Senators Aird, Grosart, Robichaud and *ex officio* Martin and Flynn;
- b) that 800 copies in English and 300 copies in French of the Committee's proceedings be printed; and
- c) that the Steering Committee be authorized, subject to confirmation by the Committee, to negotiate contracts and agreements for goods and services reasonably and necessarily required for the purposes of the Committee.

In accordance with its Order of Reference, the Committee resumed consideration of matters relating to the Caribbean Area.

AGREED: That the paper submitted to the Committee by the Canadian International Development Agency (C.I.D.A.) be printed as *Appendix "A"* to this day's proceedings.

The Chairman introduced the following witnesses:

Mr. M. F. Strong,
President,
Canadian International Development Agency.

and

Mr. A. J. Darling.
Head of Commonwealth Caribbean Planning Division.

The witnesses were thanked for their contribution to the Committee's work.

At 6.00 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE SENATE

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, November 4, 1969

The Standing Committee on Foreign Affairs met this day at 4 p.m.

The Chairman (Senator John B. Aird) in the Chair.

The Chairman: Honourable Senators, I call the meeting to order as it is now past 4 o'clock and a quorum is present.

Before introducing our witnesses, Mr. Maurice Strong and Mr. Allan Darling, I should like, with their permission, to deal with three or four routine matters as this is the first meeting of this committee in the new session.

The first item is the selection of a deputy chairman. I am sure all will agree that this position should be filled by Senator Grosart.

Senator Haig: I so move.

Honourable senators: Agreed.

Note: At this point a number of administrative matters were resolved.
(Please see *Minutes of Proceedings*).

The Chairman: I should like to say at the outset it is a great personal pleasure for me to see Mr. Strong once again before this committee. I am going to have trouble calling him "Mr. Strong" because he has been "Maurice" to me for 25 years. Our association goes back a long time, to our early days in Toronto when I was a law student and when Mr. Strong was a runner for an investment house. We used to spend a lot of time together.

I am also grateful to Mr. Strong for the fact that when I called him last night at 7.30, when Toronto was completely fogged in, as was Ottawa, he—

Senator Haig: Normally that is the other way around, is it not, Mr. Chairman?

The Chairman: Perhaps I should have put it the other way around, and said that Ottawa was fogged in, as was Toronto. However, Mr.

Strong very kindly said that he would be pleased to come here at 4 o'clock this afternoon.

In the same vein, I am extremely grateful to all the Senators who have turned out for this meeting. We have a quorum present, and some other senators who are not members of this committee are also present. I am grateful to you all for coming. We happen to regard this as a very important meeting, Mr. Strong. It is one we have been looking forward to with a good deal of anticipation. Although I know Mr. Strong so well, for the purposes of the record and because of the fact that all of you may not know his personal history so well, I should perhaps say that he is no stranger to the members of this committee.

He is a man whose ability brought him early success and distinction in Canadian industry. In October 1966 he moved to new and vital challenges in the field of public service, with his appointment as Director General of the External Aid Office. In late 1967 and early 1968 he made a series of appearances before the predecessor of this committee, which as you will recall was under the distinguished chairmanship of the late Senator Thorvaldson. This series of hearings produced a comprehensive review of Canada's participation in the whole area of development assistance.

Here is one thing that I did not know about Mr. Strong, that he was born in Oak Lake, Manitoba, in 1929 and was educated in his native province. Except for a brief period with the Secretariat of the United Nations in New York in 1947-48, his entire career until 1966 has been spent in the business world. He has held a number of positions in the field of finance, particularly related to the petroleum and mining industries. In 1962 he joined Power Corporation of Canada, Ltd., first as Executive Vice President and Managing Director, and then as President. He has also been associated with a number of other

Canadian, U.S. and international corporations as an officer and/or director.

In 1966 Mr. Strong resigned all his former business functions in order to assume direction of what was then the External Aid Office. Since that time, the Agency has undergone extensive growth and reorganization. In September 1968 its name was changed to the Canadian International Development Agency, of which Mr. Strong became President. In that capacity he also serves as Chairman of the Canadian International Development Board.

I would add a further note here to say that we are especially pleased to have Mr. Strong with us because he has spent a very busy last two weeks at the Colombo Plan Conference in Victoria.

I am sure you are all familiar with the format that has been used in the past at our meetings. The presentation that was made by CIDA has been circulated to all members of the committee. We have in turn a commentary on this presentation prepared by our Research Assistant together with some suggested avenues of inquiry, including some questions at the end of it. I would suggest to you, Mr. Strong, that you comment on your presentation and perhaps on the commentary thereon. A copy of your presentation will be attached as an appendix to the proceedings.

(See Appendix "A" to these Proceedings)

The Chairman: We follow the custom of designating certain senators to lead the questioning. In this case I have received notice from Senator Donald Cameron who will lead the questioning when you have finished your remarks. I have also received notice from Senator Grosart and I will do my best to cover the room as various senators indicate their interest.

As I have indicated, Mr. Strong, it is with great personal pleasure that I introduce you to this group, because we do feel most sincerely that the activities of CIDA in the Caribbean are fundamental to our study and to whatever strategy Canada is adopting towards the area.

Mr. Strong.

Mr. Maurice F. Strong (President, Canadian International Development Agency): Thank you very much, Mr. Chairman. I am sure that you will forgive me, honourable senators, if I inject also a personal note in my response to the Chairman's very kind remarks. When you are being introduced by someone who knows

you as well and over such a long time period, you can only hope that he will relate one side of the story. He could have related the other side, too, which might not have been nearly so complimentary. I thank you, Mr. Chairman, for sticking to the asset side of the balance sheet, which you know also contains liabilities.

I certainly welcome this opportunity to attend the first meeting of your session. I have taken your interest in the work of our Agency and the fact that you have called upon us to appear here as a very real tribute to the Agency. I have followed with a great deal of interest, from the medium of *Hansard*, the reports of your earlier meetings. They have been extremely valuable to us in shedding light on very important sources of knowledge affecting the Caribbean area which bear, of course, directly on our own program of development assistance. I realize that I speak to a very knowledgeable audience, because I have been following your comments in response to presentations which have been made here. I would remind you that unlike many of the people who have appeared before you, I am not an expert on the Caribbean. Some of the people I know sitting in this room are more personally knowledgeable of some aspects of Caribbean development than I am. I sit here as the person responsible for administering the development assistance program for Canada which, of course, as the Chairman has already pointed out, is one of the significant aspects of Canada's relationships with the Caribbean territories and those which are embraced within the term Commonwealth Caribbean, which I will be using quite a lot.

Inasmuch as you have had ample time to review the brief that we submitted in May, I will not bore you by going over it in detail. I would refer to the fact that because this brief was prepared last May, we felt that it would be useful to up-date some of the information included in it, particularly with reference to certain projects. Although sometimes our Agency is accused of being slow to operate, we do, in fact, make progress, and over the last several months there has been considerable change in the projects which have been reported to you. A number are now in the process of implementation and projects which were not mentioned at that time are now at various stages of commitment and planning.

I understand your terms of reference include investigation of the entire Caribbean

region. Canada has not had a bilateral program with any of the French or Spanish speaking countries in the Caribbean and our presentation deals only with the Commonwealth countries in the region.

The background paper provides a factual summary of Canadian aid programs in this region. From 1958 to 1962, the program objective was to strengthen the Federation and the two major projects motivated by this objective were provision of the Federal ships and construction of the University residence in Trinidad. Following the collapse of the Federation in 1962 no significant new programs were initiated apart from a decision to construct four primary schools in the Eastern Caribbean. The period to March 31, 1964, was concerned primarily with completion of projects inaugurated in several of the islands during the Federation.

Since April 1st, 1964, the program in the region has been shaped by the government's decision to expand the Canadian development aid program, which provided sufficient funds to permit establishment of separate allocations to the independent countries of the region. The 1966 Commonwealth Caribbean-Canada Conference gave further impetus to the program with the government's announcement that programs could be planned against future years' planned appropriations. This decision permitted development of the sector programs in the Eastern Caribbean which are outlined in the paper. Brief descriptions of the programs in the other countries are also provided.

The final section of the paper provides an outline of three programs—two in Guyana and one in Jamaica—which have reached an advanced stage of development. The purpose of this section is to illustrate the general approach which CIDA is following in planning future programs. It is not intended that the three programs be regarded as the only ones under investigation, of course.

Perhaps these few remarks are sufficient to review the outlines of the paper that was prepared for the committee. One bias which the project lists highlight is the almost exclusive concentration on governmental programs, which inevitably are oriented towards the provision of social and economic infrastructure. These projects encourage and support more productive activities related to the exploitation of the region's natural resources, but they are not in themselves directly pro-

ductive. If balanced growth of the economies of the individual territories is to be followed, it seems important to promote greater investment activity in the private sector. This important area of financial flows to the region is now the subject of rather more intensive exploration, and I would conclude my opening remarks with the thought that encouragement of private investment flows seems to offer useful prospects as an adjunct to our official program of development assistance to the area.

I might say it seemed to me, because of the amount of preparation that your own staff has done for this appearance, that it might be best for me now to make myself available for questions rather than attempt to deal in these opening remarks with the very useful commentary that has been prepared on our submission by your staff. I think it would be best for me to direct my attention to those points that arise from the questions and interests of honourable senators.

Senator Cameron: I would first like to second what you said, Mr. Chairman, about our guest today. We are exceedingly fortunate that we have a man of his experience and practical approach in this very important area to Canada.

My first question is a very general one. Looking at the expenditures from 1958 to the present time, something over \$80 million has been spent on programs. I saw a reference in one publication to the thought whether Canada was substituting a form of neo-colonialism, a form of colonialism replacing an older one. Have you in your experience had any feeling that this kind of attitude is developing there?

Mr. Strong: I have certainly not experienced this directly, nor has it been reported to me. I do not think there is any evidence that it exists on any scale at this point. However, the possibility of this is inherent in the development aid relationship, where one donor in particular becomes the principal source of external support for a country's development program. We are now approaching the point where our total aid to the Caribbean is about equal to the amount of aid being provided by the British. British aid has been relatively stable in recent years. Ours has been increasing rather rapidly. The British aid still exceeds ours in terms of actual expenditures, but in terms of allocations, our allocations, at a total of about \$24

million for the whole area, now approximate British expenditures.

We have not reached a position of such dominance that these territories could begin to regard themselves as economic dependencies of Canada, but some of them could very well get into this position, and if they do it could give rise to attitudes that some people regard as neo-colonialist.

Senator Cameron: I have not found that attitude either, but I ask that question because there is a certain militancy growing in Jamaica, and to a lesser extent in the Bahamas I would think it is probably desirable to be very conscious that this might arise, and because of it take whatever steps we can to ensure that it does not become a reality.

Senator Haig: Is there any way of avoiding that?

Mr. Strong: As Senator Cameron has said, it is something to which we must be very sensitive. If this did happen, it would, as honourable senators know, certainly not be an expression of Canadian policy, because there is no intention on the part of the Canadian Government to be in that position. If anything, the Canadian Government has been reluctant to involve itself in the political affairs of the region. However, when substantial amounts of money are involved, and when these amounts loom large in the economies of these countries, we shall, as I mentioned earlier, have to be increasingly alert and sensitive to charges that could possibly arise out of this very dominance of our position in the area. I am not a political observer, but if I may venture a personal view I think it is something that is a very real possibility for the future.

Senator Haig: Of trouble?

Mr. Strong: Yes, but not trouble in the sense of unmanageable difficulty for Canada; just Canada going through the process of experiencing what any country experiences when it becomes a significant power in the area. We are becoming a significant power in the Caribbean and there is a minor side to that which will really be a challenge to our own political maturity and our own ability to conduct ourselves under circumstances of that kind.

Senator Cameron: So long as we are extremely conscious of the dangers involved, I think that at the present time we are in a

rather healthy position. There is good will and really a welcome for Canadian involvement with them.

Last year we spent approximately \$22 million plus in the Caribbean area. While I know various projects are listed in the catalogue of expenditures, do we have a fairly accurate inventory of what the money is used for, that when a project is set up for X hundred thousand dollars the money is actually used for that project?

Mr. Strong: Yes. Our procedures are for support of particular projects put to us by the countries concerned and then developed in co-operation with them so that we have a part in the process of developing the project itself. This is necessary because our program is a tied program in the sense that our financial support is used to finance the provision of Canadian goods and services in the project, and one of the important elements is to determine whether it does require the amount of goods and services available in Canada, and available under generally competitive conditions. The funds are not provided directly to the governments concerned. The funds are provided to pay for the supply of the goods and services from Canada. In the case of engineering and construction type projects, the funds are paid out only against the normal process of engineering and construction supervision and approval of expenditures. There is no way by which these funds could be used for anything but the purposes intended.

Senator Cameron: In relation to that question have another one. Have we such a thing as an audit of what comes out of the expenditures?

Mr. Strong: A financial audit?

Senator Cameron: I do not mean a financial audit so much as a question of have we any measure of productivity stemming from this investment?

Mr. Strong: It is very difficult to divorce the productivity of the projects to which we contribute from the general growth of the economy. We, of course, do cost benefit analyses of each project, particularly those which lend themselves to assessment by this method and we will, as we get a little more experience in the area, be evaluating the results obtained against the original cost benefit analysis. Of course, this does not give you the entire picture and this is something

that can only be done after a number of years. We are experienced with most of the projects we have undertaken in the Caribbean area, but it has been too short to permit one to make any meaningful evaluation. Also, they have been very much in the educational area and in areas we have mentioned which are providing social and economic infrastructure and things of that nature, which do not lend themselves readily to measurement of direct economic consequences.

Senator Cameron: What I am really getting at is have you established machinery for evaluating the productivity of the investment I realize that it will take some time to get measurable results. What kind of machinery is this?

Mr. Strong: We have what we call an Evaluation and Liaison Division, which has been relatively newly created and which is really just getting into the process of evaluating results. This is something that we are going to be spending a good deal more time and attention to in the future. The reason we have not done more in the past is simply because we only felt recently that we have had the amount of experience, over an adequate period of time, to make this kind of an evaluation meaningful.

We are also undertaking what is called an operational audit system which really looks into our operation in terms of output. The whole organization is designed to produce certain results at the other end. Very often, from the top of the organization, the management has a perspective which differs from the one that you get if you look at the output and this of course, is in terms of projects and programs in the developing countries themselves. We are now in the process of creating an operational audit unit which will do this job of evaluating what is actually happening at the other end of the program and, in a sense, looking up the pipe line and determining what impediments exist to the proper implementation of projects. Of course, that sort of evaluation is related to determining whether we are doing the things that we have decided to do in the right way and not necessarily related to the important question of whether we are doing the right things in the first place. This question of evaluating as to whether we are doing the right things in the first place is one that is primarily the responsibility of our Planning Division. There is a continuing process of review of the poli-

cies and implications of what we have done in relation to what the countries, themselves, have been doing and determining whether, in the future, we should be doing the same kinds of things.

Senator Cameron: My reason for asking this is because I have moved around some of the developing countries and have observed the waste of resources. Either there is improper direction or lack of skills in applying them. I thought of this as being peculiarly a Canadian operation right on our doorstep and we should benefit by past experience with aid programs.

Related to this you mentioned the question of tied aid and this is a very touchy question in every country. I think in your paper you said originally 25 per cent was tied aid and now it has been reduced to 33 per cent.

Mr. Strong: Eighty per cent.

Senator Cameron: That is what I mean, 80 per cent is tied aid.

Mr. Strong: There are two sides to this. Your 25 per cent figure is mentioned there, in a slightly different context. Under our tied provisions, all of our funds are, in principle, to be used for purchasing goods and services in Canada; as well those goods and services were required originally to have had a Canadian content of 80 per cent or more. That Canadian content provision was recently reduced to 66⅔ per cent and this, of course, widens the range of Canadian goods and services that will qualify. In addition to that, however, we do have a provision which permits us to use up to 25 per cent of total Canadian contributions to any project in order to finance local costs. This means it is tied to the degree that that authority is used; it is not tied to Canadian goods and services.

The Chairman: Were you the advocate of the reduction to 66 per cent?

Mr. Strong: I am sure honourable senators will realize that the internal processes of the federal bureaucracy would preclude my answering that question in the personal.

Senator Haig: In other words, you are not answering the question?

The Chairman: Let me ask the question answered or unanswered in a different way. Are you satisfied, at the present time, with this 66 per cent level?

Mr. Strong: Yes, I believe it is a very important step in the right direction, Mr. Chairman.

Senator Cameron: This has been one of the sensitive areas in the countries; that this is actually not an aid program, it is an aid to Canadian exporters.

The next question relates—in our case I would assume there is no typing of the shipping of goods, because we have not a shipping fleet, whereas the Americans do. Is this correct?

Mr. Strong: Normally we have considered that shipping was a non-Canadian cost, because as you say, we are not normally in a position to provide shipping. This is one of the criticisms that has been levied at us. Our Canadian program does require that the recipient of Canadian aid arrange for and pay for the shipping.

Senator Cameron: There is another thing you referred to and that is the administration, allowing 25 per cent of the funds to be used for local administration. There is a lovely quotation by Mike Pearson, in *Partners in Development*, on page 170, where it says:

Hard-pressed and frustrated administrators on both sides may sometimes be pardoned for wondering whether their programs will fail because they will run out of carbon paper.

The Chairman: This is in the paragraph here.

Senator Cameron: Yes, on page 170.

Mr. Strong: I can assure the honourable senator that we have not run out of carbon paper.

Senator Cameron: I want to stop now and get into another area later on.

The Chairman: Are there any other questions relating to Senator Cameron's interrogation?

Senator Robichaud: When the reference was made to Canadian content and when the project is underway and tenders are called—I am using this as an example—for, say, a school building for the Caribbean, is there any preference given to Canadian companies or a company that will have a large Canadian content in the material? I mention this because I am aware of some cases where this

did not exist; the architects and the services were retained purposely and specified the type of building that was not available in Canada and they had to import part of the material.

Mr. Strong: The procurement requirement are rigidly enforced and if there are instances where projects have been supported, which did not meet the requirements and where there is no special allowance for local costs of the kind that I referred to, then this could only be in contravention—

Senator Robichaud: I might go a little further. I am referring to a building of some type, probably a school for Guyana. This is the information I received by accident.

There is another question I would like to put, Mr. Chairman. This comes from information I gathered in Antigua last spring, and I am referring to the Pares Village school in Antigua. I was told by Canadians in Antigua that a shipment arrived which, if I remember correctly, included the building, plus equipment for the school, chairs and desks. It was left on the dock for weeks and by the time they were ready to move it from there, quite a lot was missing. I was told that there was no supervision, that it was just delivered there and left at random. Do we have any facilities to follow these shipments, or is there anyone responsible?

Mr. Strong: I do not know of this instance. I am not denying it and I could certainly look into it. That particular incident has not been brought to my attention. We depend, for the administration in the field, on the local missions of the Department of External Affairs. In fact, the mission which serves the "Little Eight" is in Port of Spain, Trinidad and it has to serve the eight countries in the area. It does this extremely well. This is supplemented by engineering firms, who are contracted by us to supervise particular projects. There would have been an engineering firm for that particular project and part of their job would normally include arrangements for the reception and inspection of materials and equipment. In other words, provision is made in the administration of a project to handle instances like that.

Senator Robichaud: That is what I wanted to find out, if there was provision to supervise.

Mr. Strong: Indeed, yes. With the best will in the world, there will be instances and

there are instances from time to time when this sort of thing happens; but we are in a position to fix the responsibility when it does happen, because our procedures do not allow for it to happen.

Senator Cameron: Mr. Chairman, this is a very general complaint that is made in all the Aid programs, that apparently quite a substantial amount of material is wasted or allowed to deteriorate because the local authorities in many cases, either through inefficiency or tardiness, do not look after it. Again it looks as if it is one of the areas where closer supervision might be made. I am not criticizing any specific project in the Caribbean, as it seems to apply all throughout the Aid programs in developing countries.

Mr. Strong: Mr. Chairman, one of the great problems in Aid administration is the fact that it consists of a large variety of small projects in diverse fields, everything from agriculture to industrial processing to various kinds of education. These have to be handled by a very small office consisting of a very small group of people. It is amazing to me, as a former businessman, to realize the number of millions of dollars supervised by a few foreign service officers, working around the clock, incidentally, from a vantage point, from which to cover—in the example of the eastern Caribbean eight—eight different islands, eight sovereign governments, and do this for an expenditure which is now something like \$8 million a year. There is not a private business in the world which could supervise expenditures of that amount with that small number of people.

Senator Haig: You mentioned expenditures of \$8 million. Does your department not have a project timetable so that one person would go to point A, another to point B, and so on?

Mr. Strong: Indeed we do have an orderly process for doing this.

Senator Haig: That is what I am coming at.

Mr. Strong: But one of the aspects of development, a fact of life, is that all of the problems you encounter cannot be rigidly scheduled, they are not all predictable. Ships do not arrive at the right time, people do not arrive at the right time, governments do not always act on schedule. When you have a variety of projects, the administration is admittedly a very real problem.

Senator Laird: Following up a discussion of the Caribbean missions, I would like to ask Mr. Strong a question. Through the good offices of the Commonwealth Parliamentary Association this summer I met four British MPs who were experts in this subject: Mr. Don Chapman, Mr. Nigel Fisher, Mr. Elliott, Mr. Marks.

The latter two were at the most recent regional conference, at which our own Senator Robichaud was present. Don Chapman threw this question up to me, that the United Kingdom supplies a good portion of the budgets of the "little eight" Caribbean countries and it is not apparent and the U.K. gets practically no credit for it, whereas Canada builds schools and things one can see and gets all the credit. That could be so, and adding to it the proposition that it is apparent some of these Caribbean countries would like to have control over the projects which are undertaken and not let us have any say in the matter—how do you feel about progressing in that direction?

Mr. Strong: This is an important question. It should be understood that the reason for the British providing budgetary support to these governments is partly historical. These were colonies and still have a dependency relationship with the U.K. and as part of this they have received for many years budgetary support from the U.K.

The U.K. is endeavouring to phase out that budgetary support and would like very much to be in the position we are in, of supporting projects.

There is a more fundamental question, concerning the nature of the support which should be provided to the developing countries. There is quite a lot of controversy concerning the desirability of providing what is called "general program support", which is not actually direct budgetary support but it almost amounts to that, and is given really in the form of support for the general project program of a country after a donor country has sat down and reached agreement with the recipient regarding what the recipient's developing program will do and what is needed from the donor to help the recipient undertake this program and carry it out. In this case support is provided of a more general nature. It may be in the form of commodities, it may be in the form of goods, it may be in the form of things which do not have an

identity as projects but which save foreign exchange, in that sense representing a net addition to the foreign exchange available to the recipient country concerned.

In places like India and Pakistan we have provided support of this general nature. When we provide food, for example, when we provide a wide range of commodities, we are in effect saving those countries foreign capital, we are in effect providing them with direct support. In the Caribbean we have not done this, by and large. Part of the reason is that the needs of those countries are quite clearly related to things that lend themselves at this stage to support of specific projects. To my knowledge, these governments have not really objected to our participation in the development of projects. There have been differences in the selection of projects. There are instances where governments would prefer us to support a particular kind of project, when we would prefer to support another kind of project.

Senator Haig: Who makes that decision, Mr. Strong?

Mr. Strong: No project is ever supported, if it is not requested by the country concerned. This is basic. However, their request alone is not sufficient to guarantee our support. We look into the project and, if, for example, somebody wants us to provide training for horses for...

Senator Haig: The Royal Winter Fair.

Mr. Strong: Or even for the Prime Minister's Foot Guards or something like that, as against a project to increase the quality of dairy herds in an island or increase the industrial production, or something in the educational field, well, obviously, we would respond by offering to do something else but not that particular one.

Senator Haig: You have a veto power, then.

Mr. Strong: In that sense, yes, but in the sense that we are not doing things, not forcing them to do things which they don't want done. However, we are certainly influencing their own priorities.

Senator Haig: Thank you.

The Chairman: We will conclude the general area of questioning relating to Senator Cameron's opening questions. I should just like to make one comment, Mr. Strong, and

that is that the point you make about the area lending itself to projects rather than to programs has been disputed, as you probably have read, in the evidence that we have had before us, particularly I believe, from Mr. Demas. No doubt we will have some questions in due course about the Caribbean Development Bank and ventures to that nature, but it seems to me that the programs versus projects question is still one under debate.

Senator Grosart: On that particular aspect, Mr. Strong, in terms to the Caribbean, would you define "projects" and "programs"?

Mr. Strong: Yes. We use these words perhaps a little loosely. When we speak in the broad sense of our Caribbean program, we are really talking about the entire assembly of things we do.

Senator Grosart: I mean in terms of the breakdown within that broad program.

Mr. Strong: Well, our aid is primarily project aid, which means that we undertake to do certain things such as constructing an airport, constructing and staffing a school, developing a harbour facility, providing a fishing boat—you know, any one of the many things that are listed here. Most of these things are projects.

We do use the word "program" to describe those activities in the educational field in particular which really are part of an on-going process of providing teachers and advisers. You might consider that each technical expert we send down there, or each professor or each adviser, was himself a project, and in that sense you could use the word projects to describe any one of those transactions. But because there are a certain number of them going out each year, and a certain continuity to the flow of them, we very often call that our educational program.

When we talk about program assistance, however, we are using a term which is part of the international jargon of development and which relates to that form of assistance which is not designated as project assistance. This can be anything from providing food, from providing commodities to providing cash. Anything of this nature which is not specifically earmarked for particular projects can generally be referred to as program assistance.

Senator Grosart: Do you differentiate between the two in your planning and in your assessment?

Mr. Strong: Oh, yes, very much so. Mind you, the first step in our planning is to understand and to make an evaluation of the total development plan of the country concerned. Now, we generally have some help in that by having available to us the reports of the World Bank and the International Monetary Fund and other special studies that are available. Having made an assessment we then look at the special part that Canada can play, and this of course relates to an assessment of what Canada has available, what Canada can do and how these things can fit into meeting their own priority development.

Then out of that we sit down and work out with them a strategy for a period of time. Usually a five-year planning cycle is what we aim at. It is not always possible to get it at that, but, generally, we are operating on a five-year planning cycle. We then agree with them in a broad way as to the areas in which they need help of the kind that we are likely to provide and are willing to provide. They then have a guide in making their requests to us, and they then ask us for the kind of assistance that we have agreed we are likely to be in a position to provide.

Senator Grosart: This is much more than a semantic question.

Mr. Strong: Yes.

Senator Grosart: I find your answer comprehensive but a little vague—and an answer can be both those things.

You said that you differentiate. I have never seen in any of your reports a differentiation between projects and programs. Do you have a list which says that such and such are projects and such and such are programs?

Mr. Strong: No, we don't.

Senator Grosart: You differentiate then in a very general way?

Mr. Strong: No. We differentiate specifically, but because there is ambiguity in the word "program," because it is used in a number of different contexts, we do not report in that way. We report all of the projects, but we also, in those instances where we do provide program assistance, for example, India and Pakistan—

Senator Grosart: No, I mean in the Caribbean.

Mr. Strong: We do not provide program assistance in the Caribbean.

Senator Grosart: You have no program assistance in the Caribbean?

Mr. Strong: No, except to the extent that our educational program might be regarded as a form of program assistance.

Senator Grosart: You have no agricultural program for the Caribbean?

Mr. Strong: We have an agricultural program, if you use the word in that way, but this is why we don't use the word too frequently. Our agricultural program would consist of a series of projects.

Senator Haig: We are getting completely confused. First you have programs and then you have projects.

Senator Grosart: You do not specifically list programs and projects.

Mr. Strong: May I try to make this clear? The term program assistance in the jargon of international development is used to describe, generally speaking, non-project aid.

Senator Grosart: That is what I am getting at.

Mr. Strong: In common usage, however, we usually, when we talk about our Caribbean program, are talking about a collection of projects.

Senator Grosart: In other words, you are saying that you reject the international jargon.

Mr. Strong: Not at all. Both are quite proper, Senator, but they are confusing, as we have seen here. It is quite proper to call a program a collection of projects or to call a collection of projects a program, but we have trouble with this ourselves, and so, in our reporting, in order to avoid the very problem we are having right now, we have tried not to use the term "program".

Senator Grosart: Do I understand you to say that in the international sense, the sense in which "program" is generally used, we have no programs in the Caribbean?

Mr. Strong: No.

Senator Cameron: May I interject? In the science policy committee we have had a great deal of trouble with this very question: how do you establish a comparable nomenclature that applies internationally? And I gather

from reading the background material on aid that the same need exists there; we need to get a Frascatti program, or something like that, so that the same word means the same thing in all the participating countries. At the moment it does not.

Mr. Strong: I have fallen into the habit of calling our over-all program a program; and that program, as it applies in the Caribbean, for example, is simply a collection of projects. It would probably be simpler if we were to call what, internationally, they call program aid, non-project aid.

Senator Grosart: But you see the difficulty in reconciling the statement that you have just made with the statement which you made earlier that you have no program assistance in the Caribbean.

Mr. Strong: I apologize for using the term.

Senator Grosart: One more general question with specific application so far as the Caribbean is concerned; I have been concerned about the differences in international comparative figures between our allotments or commitments and the actual flow. For example in the Pearson Report which Senator Cameron referred to a short while ago, the total flow is shown as .28 of Canadian GNP, when according to the best figures I have available the actual allocation is .55; that is for 1968. Why is there such a gap between allocation or commitment and spending?

Mr. Strong: First of all, senator, there is always a lag between the time that funds are appropriated and the time when they can be spent. It often takes several years for a project to go through from the stage where approval is given in principle to where detailed design and engineering studies are carried out, contracts let and construction takes place. These expenditures are phased over a period of two to three years so that even under normal circumstances there would still be a lag. That lag, of course, is always accentuated as the program is developing because if one year's allocation is greater than that of the previous year there will be a greater lag between appropriation and commitment.

In the last several years that lag has been accentuated further by the fact that we were gearing up our organization in the expectation that it was going to be called upon by the government to produce more quality and

more quantity in terms of its activities and during that time we did slow down the process of approving project. We were not prepared to approve them on the same basis that they had been approved previously. We now have a recognition, as you know, of this situation and I think this year our actual expenditures should be roughly equal to our allocations. This means that we will have gone quite a distance in the last year.

Senator Grosart: But you have a long way to go. As of September 30, your spending was \$155.9 million for this year. That is up to the end of September. Are you going to spend the remainder of your allocation in the last four months?

Mr. Strong: Our projection is that we will spend pretty close to our total allocation this year.

Senator Grosart: And the total allocation is what?

Mr. Strong: \$338 million.

Senator Grosart: Therefore you will be spending more in the last four months than in the first eight. I am not saying this critically because I am fully aware of the reason for this lag, and I fully agree with the reasons which you have given for deciding to reassess the whole aid program, if I may use the word in that sense. Now, at the end of 1968 what was the total carry-over of funds?

Mr. Strong: On the overall program?

Senator Grosart: Yes, and the Caribbean figure if that is available.

Mr. Strong: I do not have the overall figure in my mind at the moment, but I know we have it here.

Senator Grosart: I raise these questions as I am sure you are aware that this is a frequent criticism by the developing countries of aid from developed countries.

Mr. Strong: Perhaps I can ask my colleague to look up that precise figure for you and give it to you later.

Senator Grosart: However, at the end of 1969 the figure would be approximately the same?

Mr. Strong: Yes. And we should keep in mind that the increase in the rate of our ability to spend money is growing and it is

very likely that we will start utilizing the accumulated backlog very quickly.

The Chairman: That is a question I would like to ask as a supplementary to Senator Grosart's question; when you get to the figure \$338 million, do you still have a reservoir of unexpended funds?

Mr. Strong: Yes, we do.

Senator Grosart: The same figure will be there at the end of 1968?

Mr. Strong: Yes.

Senator Grosart: Mr. Strong, I am told that the "little seven" of the Caribbean has to some extent been a forgotten area in the world picture of international development aid. Now I realize that Canada is stepping up our aid very, very rapidly over the last few years and has done a great deal to fill that gap. But on the other hand what is the private sector doing? You mentioned the private sector earlier. Let me put the question this way; generally speaking around the world the Canadian private sector lags considerably behind the official aid. Does this apply in the Caribbean?

Mr. Strong: The private sector in the Caribbean is of course a pretty important sector. I do not have figures on the amount of private sector activities in these islands, but, for example, the field of tourism is almost entirely in the hands of the private sector. Commercial agriculture as distinct from small-scale peasant agriculture is almost entirely a commercial undertaking. Most of the employment creation that has to be done in this area, and this is one of the great problems of the area, really has to depend very largely upon private sector activities. As we mentioned in the report itself and in my earlier remarks, the governmental activities in creating infrastructure and in supporting private sector activities do not do a great deal in themselves to create jobs directly. For example our program supporting airport development is a means of providing direct support to the tourist industry and the program of harbour development promoted interisland trade to make it possible for agricultural produce to be exported. So these projects are related to the private sector activities. But I think we are soon going to reach the point in that area where purely governmental aid in support of purely infrastructure type projects will not be adequate. There will

undoubtedly be a need to consider supplementing it in some fashion by private sector activity. Now whether government does decide to go in to this sort of activity as an adjunct to its aid program is a matter of policy that I am not in a position to comment on, but I recognize there is a very great need for more private sector activities in these islands if their development aspirations are to be achieved. This cannot be done by governments alone. As you well know, these islands are not self-contained economic units. They are so small that they really do exist in a state of economic dependency on North America; they have to find their place in the wider economy of the North American region; and no one of them has the capacity to develop a self-contained economy. For this reason, they do not have the option that perhaps some countries have of a completely governmental controlled economy.

Senator Grosart: Do you, as a matter of policy, make an on-going assessment of the private sector investment?

Mr. Strong: We do take a very great interest in this. We have recently established a Business and Industry Division designed to improve our capability to do this. We have access to the work done in this field by the Department of Industry, Trade and Commerce. We also have had some independent work done for us recently by the Private Planning Association, all in an attempt to put together the amount of information we require to assess the importance of the private sector element and, in particular, the importance of the kind that might be induced from Canadian sources.

Senator Grosart: Have you any capability to assess the drain on the balance of payments of these countries from Canadian investment?

Mr. Strong: We have that capability, I think, but we have not made a study of this. I am not sure if I understand the complete purport of the question.

Senator Grosart: Well, we tend to balance the input with the output. We have the same problem in Canada with respect to foreign investment. I suggest to you a study to show the actual balance, pro or con, for these countries would be a very useful thing. If the private sector is taking more out than we are putting in, this is something we should know,

and I should imagine that your agency would want to know.

Mr. Strong: Indeed, this is the kind of work we are in the process of doing. I do not believe we have any comprehensive assessment of how much business earnings would be taken out of the Caribbean, but I suspect less than is being put in at this point. I think the Caribbean is probably still a net recipient of Canadian investment.

Senator Grosart: This goes back to Senator Cameron's question about the danger of neo-colonialism. We have often heard that in the Caribbean, Britain, over the last 200 years, has taken out more from the Commonwealth Caribbean than they could ever possibly have put in. This is a criticism we as Canadians should avoid, at least by having some foreknowledge if this is going to happen. I suspect that the drain on the Caribbean economy from Canadian investment is high.

Mr. Strong: I could not enter into a dialogue on the basis of knowledge; I do not have the facts.

Senator Grosart: I am only suggesting that we should know, and this goes to some of the evidence we had about the fallout of tourism. We have had evidence that this may not be a very desirable kind of investment from the point of view of the recipient countries.

Are our grants, country by country, in the Caribbean specifically related to U.K. support?

Mr. Strong: No. Of course, we look, broadly speaking, at all factors affecting the needs of each country, and U.K. support is one of these. We know about this and take it into account, but our allocations are not directly related to the amount of U.K. support. However, we do very closely co-ordinate our overall development plans with the U.K.

I think you will be aware that there was a survey done in 1966—

Senator Grosart: Yes, the tri-partite one.

Mr. Strong: Yes. And since that time we have kept in touch with the two other governments that participated in it and with the island governments concerned, and there is an on-going process of consultation. The air transport program is probably a very good example. We have had to reach agreement with the island governments on the amount of funds available, both the U.K.'s and ours, for the expansion of the airport facilities.

Each island government wants to expand its airport facilities and yet the amount of money available from the U.K. and Canada for this purpose was not enough to do it in an early time span, so there had to be an agreement as to phasing and which the British would do and which we would undertake. This was worked out by the British and ourselves and the government of each of the islands concerned. So there is this on-going process of consultation.

Senator Grosart: Has the Commonwealth Caribbean any source of official aid other than Canada and the U.K.?

Mr. Strong: If you include, as we must include, Jamaica, Trinidad and Guyana, this is so. The Little Eight does not now have any other source of aid, but the rest of the Caribbean has access to various outside donors. The U.S. provides assistance to Guyana. Jamaica is in the process, and Barbados and Trinidad and Tobago have already joined the OAS and the Inter-American Development Bank, so they will be eligible for receiving funds from those sources.

Senator Grosart: As a self-appointed special pleader for the Little Seven, this disturbs me because not only are they not getting official aid from the U.S. but they are getting none from the World Bank or any multi-lateral agency that I know of.

Mr. Strong: They are dependent territories. They are semi-autonomous and have not yet gained the status internationally of sovereign nations. Also they do receive, on a per capita basis, a rather larger amount of aid than many other countries, and their per capita incomes are reasonably high in relation to per capita incomes in many other less developed countries.

Senator Grosart: Is this a consideration in reaching a decision to grant aid to a particular country, the level of per capita income?

Mr. Strong: Yes, it is a factor.

Senator Grosart: At the bottom or the top? In other words, are you concerned in trying to get some of these countries as fast as possible to the economic take-off point?

Mr. Strong: This is a very broad question and is one which has been raised in the Pearson Commission report.

In selecting countries, of course, there are many factors we must take into account.

Need, as represented by per capita income, is only one. It is an important one, in my view, and one that perhaps deserves more emphasis than it often gets. My personal view is that the goal of development should be to remove dire poverty and that there should perhaps be less emphasis than there has been in all the donor agencies on supporting the about-to-be rich—this is the point of so-called self-sustaining growth—because it has been made very plain that those countries are already in a position where they can remove themselves from dependence on aid.

Senator Grosart: At \$400 or \$500 per capita?

Mr. Strong: Yes, the per capita figures—

Senator Grosart: Those are the "rich" ones.

Mr. Strong: They are not in themselves the only index of how well a country is doing. There may be discrepancies through a large amount of a country's income that is not equitably distributed within a society. However, broadly speaking, it is not a bad guide; it is as good as any other.

Senator Grosart: Do you make a distinction in your decision to grant aid in the Caribbean on the basis of the political status of the countries? I am thinking of the group of independent nations, the group of associated states, and the group that are dependent. Does this enter into your decision-making at all?

Mr. Strong: Well, the Government's decisions in this area, as I understand it, have taken into account the status of these countries. My understanding is that basically we have been prepared to support those countries that are either independent or following an agreed timetable of a commitment to independence. Thus we have interpreted the state of semi-autonomy that has been achieved by seven members of the little eight as being independence for the purposes of our program.

Senator Grosart: But you are, I believe, giving some aid to the dependents, such as the Cayman Islands, Turks, and Caicos.

Mr. Strong: No, I do not believe there is anything at all there. I do not believe we have ever done this.

Senator Grosart: I think there has been some aid given there. For example, I know of

a scientist who went down there on the mosquito control program in the Caymans.

Mr. Strong: I do not think there are any now, but, like you, I thought we had done something in the past. However, it was very, very minor.

Senator Grosart: But generally, as a matter of policy, you are staying with the independent or the semi-independent nations?

Mr. Strong: Yes.

Senator Grosart: And that is on the assumption that the others are the responsibility of a colonial power?

Mr. Strong: That is right.

The Chairman: Senator Grosart, I am sure that you have other questions, but may we come back to you?

Senator Grosart: Yes, I will pass.

Senator Laird: Following up this latest discussion I should like to read you a sentence from this summary report of the Sixth Caribbean Regional Conference about which I spoke a few moments ago, and which reads as follows:

Tourism was valuable in the short run for its foreign-exchange earnings, but it was too risky to rely upon for long-term development.

This attitude on the part of the Caribbean countries of what might be called indifference towards the tourist trade has always puzzled a number of us, particularly because we in Canada consider the tourist business to be a very permanent proposition. Do you think that this is a reasonable attitude for them to take?

Mr. Strong: I can understand the concern of the peoples of these countries in respect to the effects of tourism on their countries. These are small countries and small societies, and tourism is a very large industry, and it could be a very dominant factor in these societies, and have an effect on the whole social and political character of these little islands. I think there is some legitimacy to the concern about the possibilities that development may concentrate so much on tourism that it will ignore some of the other areas in which development may be a little more difficult to achieve, and where immediate results may be harder to come by, but where the

social consequences might be a little more desirable. I can understand this. I think it is legitimate. I think it is something that people like us who are assisting in the tourist development area should bear in mind.

There are some kinds of tourist development that are more desirable than others. There are some kinds that should be supported more vigorously than others, and there are some kinds that should not be supported at all. The casino type of operation that some people are attracted to is not the kind of thing that most of these countries want, and it is not the kind of thing that we would want to encourage them to have.

Senator Cameron: In respect to this matter of tourism I should like to draw attention to an article by Martin O'Malley that appeared in the *Globe Magazine*, in which he discusses the sort of negative effects of the tourist industry. He says:

Tourism is a lucrative and fairly labour intensive industry, but much of the wealth leaks out of the country because building materials and many foods must be imported and most of the hotels are foreign-owned. It has the advantage of bringing customers to the doorstep, but it also accentuates and perpetuates the poor-black, rich-white syndrome.

Mr. Strong: Yes, this is a very real problem and, of course, the difficulty here is in the creation of employment which, as I mentioned, is one of the very real problems facing these islands. Tourism offers very real prospects of doing something about this.

The skills required to support tourism are readily obtainable in the local population and the investment can be attracted. The attributes of these islands for tourism do not require any elaboration by me. The other kinds of things that one would do in these islands are very much more difficult to develop. Agriculture is a very difficult problem. Many of these islands, as you know, import many of the basic foodstuffs that they require. There is an obvious local market for fruits and vegetables, yet it has been extremely difficult to develop production to service these markets.

I think the concern for overdevelopment of tourism is legitimate, but I think that tourism is destined to become a very major factor in the development of these islands. Probably this is on balance both desirable and inevita-

ble. What the governments concerned, and those governments that are assisting them, really should be doing is trying to create a more balanced development. They should not be taking so much a negative attitude towards tourism, but seeing that tourism is accompanied by other forms of development that do not affect this overconcentration on tourism that brings with it the worst psychological effects to which you have referred. It also permits them to get more value out of tourism. As Senator Grosart pointed out, tourism is not always that valuable to these countries if it is going to be accompanied by leaks in foreign exchange or requires them to purchase from outside many of the goods and services required to develop the industry.

Senator Robichaud: Is it not a fact that there is a diversity of opinion on this? My experience in speaking to the local population is that the large majority favour a tourist industry. They look at it as a good industry for the future.

Mr. Strong: I think that is right, senator. There are these warnings being sounded by a number of thoughtful people who are deserving of consideration. I think that an unbalanced overconcentration on tourism would probably be unwise, but to go from that to say that you should not have tourist development I think is both impracticable and would also be unwise.

Senator Grosart: Has CIDA, or its predecessor, any investment in tourism directly? I am not speaking of infrastructure, but of direct investment?

Mr. Strong: No, we have not directly invested in tourism, but we have, apart from the infrastructure support that we have referred to earlier, done things like setting up a hotel training school, which is directly related to providing skilled people to the tourist industry.

Senator Cameron: This discussion, Mr. Chairman, has suggested that there are two productive areas in the developing Caribbean that are worth really expanding and developing. One is the tourist industry, the other is agriculture, and probably the citrus fruit industry. They each depend on a higher standard of education. They each depend on a higher standard of education. Canada has spent quite a bit of her aid in the form of education, aid to the universities and scholarships, and so on. What would you say should

be the priorities in the use of educational aid as of today?

Mr. Strong: I am not speaking as an educator here. We have spent a good deal of time on this subject, and the governments of the region, as I am sure you are aware, are spending a good deal of time and soul searching on this subject too. One of the principal needs is to extend the very good base that has been developed by the University of the West Indies. This has become a very good university; it has become an important regional institution; it has had an important unifying effect on the region, and has provided a very high standard of professional training in a number of areas. They want to expand and extend some of their faculties, particularly those having a more practical relationship to development, such as agriculture, physics and mathematics. Helping that university to continue to extend and upgrade the facilities it has would certainly be a priority.

Also, I think everybody would agree that one of the very real needs in this area is for better vocational technical training, and we are doing a fair amount in this respect, although we intend to do more. In Guyana, for example, we are putting up a vocational school; there is also a vocational school going up in St. Lucia. We are very anxious to extend the amount of assistance we make available in this field.

One aspect of our program that we are not extending is bringing people to Canada. Another is the provision of line teachers, teachers simply taking over teacher assignments. We are concentrating on teacher training. I do not have the figures, but I have impressive figures indicating that Canada receives more teachers from the Caribbean area than we provide.

Senator Cameron: That is right.

Mr. Strong: We also receive more skilled people in total from this area than we provide. In one sense, therefore, we could say that one aspect of our program in the Caribbean is related to training people who eventually end up working in the Canadian economy.

The Chairman: This has been very forcefully brought to our attention throughout these hearings.

Senator Thompson: Is there anything in our new immigration policy, which is based on

skills, so that trained people will serve the needs of their own country rather than coming to Canada?

Mr. Strong: I think most people in the developing countries, even those most concerned with the brain drain, would not expect countries like Canada to try to control the brain drain by imposing illiberal controls on immigration. This problem has to be dealt with by the countries themselves. The kind of help we can give them is related more to improving their own training facilities, improving the job prospects for those who are trained in the area, and helping them to make more attractive the life of professionally trained skilled people in their own countries. One of the arguments that impresses me is that by providing line teachers to the Caribbean we might be said to be making it more difficult for West Indian countries to retain their own teachers. If they can get teachers at relatively low salaries or as volunteers free, there is not quite the same incentive to increase the salaries of their local teachers. This means that more of those teachers are likely to be lost.

We are realizing that developing assistance programs have to become very sensitively geared to the real situation in these countries and we must be careful in trying to do good so that we do not actually add to the brain drain problem.

Senator Thompson: You mentioned previously that you are not bringing people into Canada in order to train them, as a general policy. Is this because you have done a study of the Colombo Plan to show that a number wanted to stay here after training?

Mr. Strong: I do not mean to imply that we are not doing it. This is an aspect of our program which is not growing. We are cutting down on the number of people being brought to Canada. We are also being very careful not to bring to Canada people to be trained except those who cannot be trained in the region. We are also being very careful to make sure that we are bringing to Canada people for whom a real need exists in the region once they have completed their training. We are phasing down drastically the education that was previously given on an undergraduate level.

In the Caribbean we have a very interesting program which I think is one of the best examples of what is called third country

training. We provide 130 scholarships a year for students from all of the Commonwealth Caribbean area to participate and attend the University of the West Indies. This means that these people are receiving Canadian scholarships so they will be able to attend their own regional institutions at less cost than we would incur if we brought them to Canada. We are also providing training in an institution which is more able to give them the kind of education and provide them with the kind of environment that they will be living in and need when they graduate.

Senator Haig: Where is the University of the West Indies?

Mr. Strong: Its main campus is in Jamaica, but it has extension units in almost all of the Caribbean countries.

Senator Haig: You do not have to go to Jamaica to take the course?

Mr. Strong: No, however, in many of the degree courses you have to go to either Jamaica or Barbados, because the smaller centres are not able to offer the complete range of subjects.

Senator Grosart: We have been engaged in teacher training programs—this is something I call a program—in the Caribbean for a long time. Have we ever made a survey of what happens to these teachers, such as how many stay and where they go?

Mr. Strong: We have tried to do this, senator, however, it is not an easy thing to do. We would not commission an outside survey in the sense of asking a firm to do this, but we have done it within our own shop, because we have probably as good a knowledge of this as any outside consultant would have. In the Caribbean area I think it is true that a good many of the people probably have not remained in the Caribbean. I do not know the percentage, but a relatively high percentage of people trained in Canada have stayed in the Caribbean.

Senator Grosart: You mean those that have been trained in the Caribbean with Canadian funds?

Mr. Strong: Of course, this is more difficult, because there have not been that many graduates at this stage.

Senator Grosart: The program of teacher training in the Caribbean, to my knowledge, has been going on for a long time, perhaps five or six years.

Mr. Strong: You are talking about the teachers that would have been trained.

Senator Grosart: The training of teachers in the Caribbean, funded by Canada.

Mr. Strong: I do not know the figures on this, but I would suspect that some do come to Canada.

Senator Grosart: This would seem to me to be an area where Senator Cameron's question about an audit would come in. It seems to me that all developing countries are not doing enough of this and I think there are reasons. It has been a 20-year experiment to find out how to give aid. It is something unique in the history of the world and I can understand this, but some of us, reading the reports and the literature, are getting the feeling that all donor countries need to do a lot more of this auditing of the results in terms of the objectives; the same kind of thing that we have now in Canada in our five-year Estimates plan.

Mr. Strong: I would agree with this, but I would suggest that the kind of evaluations that we give priority to are those which can have some influence on our decision-making. In the case of teacher training, even if we were to find that 50 per cent of the teachers being trained in facilities that we were providing in the Caribbean did in fact come to Canada, I question whether or not it would influence our support of the institution...

Senator Grosart: But it might influence the kind of support.

Mr. Strong: Well, this is right.

Senator Grosart: For example, there are programs we have in Canada—the armed forces is one—where we require a specific undertaking that, having been trained at public expense, people will respond with a certain time limit of service. I am not saying this should be done, but I am saying we should know.

Mr. Strong: May I make a distinction here which I think is important, in relation to this point. I would make a distinction between the assistance that we grant in bringing people to Canada for training, and that which we provide by way of strengthening teacher training institutions in the country itself.

Senator Grosart: Excuse me. The first is, as I understand it, largely—except for the

University of the West Indies—at the primary and secondary level, whereas the training in Canada is—with the exception of some vocational and technical training—mostly at the university level.

Mr. Strong: In the case of the people we bring into Canada, we extract commitments from them and we require them to return, and we do enforce those commitments. By and large, 95, 98 per cent, a very high percentage, of these do in fact return, and we do know this, we have the information. What we do not do is, in those teacher training institutions in the countries themselves which we may support, we do not look at their students. We do not make any survey of what happens to them afterwards. Our support of this institution is only a very small factor. We have provided two or three teacher trainers to West Indian institutions. Statistically, it would be interesting for us—but perhaps we really have not got a great right to determine what happens to the teachers or the standards that they set. All we really do is help them, by providing sometimes equipment, but more frequently teacher trainers.

Senator Grosart: But you do have a right at any time, in any aspect of your assistance, to ask is it doing what we planned it would do?

Mr. Strong: Yes, that is quite right.

Senator Thompson: Do you look at the immigration breakdown, the professional and vocational breakdown into Canada from the West Indies? I have a feeling that the great number of nurses who come to Canada from the West Indies means that we are benefiting enormously from this, and I do not know whether we have a nurses training program in the Caribbean.

Mr. Strong: We have not directly supported nurses training. I am aware of the immigration breakdown, and we have the figures on it. It is quite clear that Canada probably receives more economic benefit from the West Indies than we provide to the West Indies.

Senator Robichaud: We were given the figures last spring, that about 15 per cent of the students coming are staying in Canada. These are nurses, dental mechanics, and people at that level. During the past summer there was an appeal over the radio and television stations in western Canada, and probably in eastern Canada, too, painting a deplorable picture of the state of education and the equipment of education at the primary school level in the Caribbean. Specifically in Jamaica, there was, purportedly, a great shortage of

teachers at that level and school books and supplies were practically non-existent in many areas. Have you any comment on that?

Mr. Strong: Yes. We have provided 108 prefabricated school units in Jamaica. This has been a significant contribution to helping improve the situation in respect of primary education there. We are well aware that this is a problem. The Government of Jamaica is also well aware of the problem, and we are, I think, doing our bit to help them solve that problem.

Senator Cameron: There is one other area relating to our earlier discussion respecting the management of aid; I refer to loss through waste or through improper logistics. Are there any schools for training people in managerial skills or in that area, generally? Are we doing anything in that area?

Mr. Strong: We are encouraging development of management training in this area. There is a program now under consideration in which we would be providing some assistance in this area. I must ask my colleague, Mr. Darling, if he has any further information.

Mr. Allan J. Darling (Head, Commonwealth Caribbean Programme Planning Division, Canadian International Development Agency): Well, there is a school of business administration at the University of the West Indies. In fact, there are two faculties: one in Trinidad and one in Jamaica. We are presently negotiating with Canadian universities and the University of the West Indies to organize a program to expand the level of courses and the number of courses which can be offered in those schools.

Senator Cameron: There are a lot of students from the Commonwealth attending the University of Waterloo in this area. Are there any from the Caribbean there? This is at a lower level of the administrative program.

Mr. Strong: I do not know whether there are any from the Caribbean, but I would be reasonably sure that there would be.

The Chairman: I am interested in this line of questioning and, if the meeting will permit the Chairman to ask a question related to it, may I say that my previous experience with Mr. Strong has been in board rooms, and managerial know-how and techniques and marketing have always been a very large part of my exposure to the way Mr. Strong thinks. I was going to ask the general question, or generic question, are you giving serious con-

sideration to this as a form of aid, going beyond the university question? I am talking about people with managerial know-how and transfer of managerial know-how and people who know how to market, because it has come out again and again in these hearings, all the way through the springtime, that this is something fundamentally lacking in the Caribbean; they do not seem to have a concept of marketing and they do not seem to have a viable system of making their management work. It seems to me this is an area where any aid program, but particularly a Canadian aid program and, if I may say so in respect of Canadian aid, particularly a program that you are running, might be very valuable.

Mr. Strong: Mr. Chairman, you have certainly touched on a very pet area of concern, in my opinion. I would say that probably in most of these less developed countries, and it is certainly true of the Caribbean, the greatest need is for expertise in the administrative and management area, because they have limited resources and their ability to use those resources requires management and administrative know-how that is not always available. If any one, single element deserves priority, it is this one.

Now, it is much more difficult to go from this general statement of concern to specific programs—although I am biased, I suppose. I have never had any education in business.

Senator Cameron: You are just a do-it-yourselfer.

Mr. Strong: I mean to convey here, too, that there is a limit to the amount of formal education that you can get in business, particularly in an economy that is really depending upon some of the middle level skills—the kind of business training that is perhaps most needed down there.

They have some brilliant economists; the West Indies has produced some of the world's great economists; Sir Arthur Lewis, for example, could compete in any league as one of the great development economists, and they also have some of the greatest jurists, so that the area is very well endowed with senior people. Certainly it could use more senior management talent but it particularly needs middle management talent. A lot of this must be trained on the job and by that I do not mean that academic training should not be undertaken as part of

the on-the-job training, but these two things go together as I think Senator Cameron will agree from his Banff experience. I think there is room for something paralleling the Banff School perhaps at a middle rather than a senior level.

Senator Cameron: That is what I am getting at, that this must be done on the job and in the country concerned. There is need for lower level management, but both are needed for the broad proliferation through day to day operations. And Canada would have an opportunity in this field. Mind you I am not looking for the job.

The Chairman: Mr. Strong has just shown me a letter he has received which indicates that he will shortly have to leave. Since I would like to insure the greatest participation possible by all present, I would like now to move around the crowd. I see the Leader of the Government back there.

Senator Martin: I have no questions.

Senator Grosart: Mr. Chairman, I asked earlier about the mix between official aid and private sector investment. I wonder if Mr. Strong has those figures.

Mr. Strong: I have the answer to the question you asked earlier about undisbursed funds.

Senator Grosart: The question I am asking now deals with the percentage relationship between official aid and private sector investment in the Caribbean.

Mr. Strong: I do not have that figure, but I can give you the figure you asked for earlier and which I did not have on hand at that time relating to undisturbed amounts in our total program. It is \$342 million as of March 31st, 1969.

Senator Grosart: So we are in current terms a little better than a year behind?

Mr. Strong: Yes.

Senator Grosart: Mind you I do not say that critically. Now coming back to the other question, it seems to me surprising that you do not have that figure because in the assessment of aid programs around the world this is an important figure.

Mr. Strong: This is on an outflow basis. It is much more difficult to get this information on the basis of inflow figures from these coun-

tries. Also it is difficult for Canada to obtain these figures as far as Canadian investment is concerned on a destination basis.

Senator Grosart: OECD and DAC publish them on a global basis and they must have individual figures to do that, or do they just guess at it? I know they do some guessing.

Mr. Strong: They do have it on a global basis and we get it on a global basis as well in terms of an overall figure for Canada. It is difficult, but we do get it and we report it to DAC. What is virtually impossible to get is the destination of these funds. We can say that for Canada the total figure for outflow of investment capital was so many dollars, but it is very difficult to find out exactly where it went.

Senator Grosart: Mr. Strong, are you saying that between DBS, Treasury Board, the Bank of Canada and the Department of Finance we do not know the destinations of Canada's private investment capital?

Mr. Strong: That is my understanding, but I will have to check this for you and I will. My understanding is that this is so and the reason is that we have no foreign exchange control and there is no real device whereby these figures are reported to the government.

Senator Grosart: Do private investors merely say to the government "we are investing money abroad and we will not tell you where"?

Mr. Strong: They do not even have to say that much to the government.

Senator Grosart: If we are investing official aid in the Caribbean, it is essential to know how that relates to private investment.

The Chairman: They may not have to say it to the government in the first instance, but they have to in their annual report that follows. There is going to be a time lag, and I think Senator Grosart's point was that, even if there is a time lag, the figure is very relevant.

Mr. Strong: I agree it is, but I am saying we do not, under existing circumstances, give figures for Canadian investment in each of these islands.

Senator Grosart: I am amazed that that is so. We have heard some alarming things in other committees about the dreadful state of

our Canadian statistics, but this really shocks me.

Mr. Strong: I asked you earlier if you related Canadian official aid in the Caribbean to the level of British aid. I think you said: No. However, the figures here on page 8 of the research report—

The Chairman: Is this our report, Senator Grosart?

Senator Grosart: Yes, I said "the research report". It seems to me that they indicate this may not have been the case in the past. For example, the level of Canadian aid—this is official aid—to Jamaica is 2.77 per capita; while British aid is down to 0.1. That is in pounds in the case of Britain, and the Canadian figures are in dollars. On the other hand the Canadian aid to the Little Seven is \$12; and the British aid to the Virgin Islands is £40, Montserrat £21.8, St. Vincent £10.5, Grenada £9, Dominica £8.9, St. Kitts £3.2, Antigua £5, St. Lucia £4.2—that is all in the Little Seven. Again I am not being critical, but it seems to me we are moving into the void left by the British in Jamaica and Trinidad and perhaps are concentrating too much in the "have" countries rather than in the "have-not" countries, in spite of the fact that our per capita aid over all to the Little Seven is very high.

Mr. Strong: All these countries, as a whole, are considered a country or area of concentration.

Senator Grosart: The whole Caribbean.

Mr. Strong: Yes, the whole Commonwealth Caribbean.

Senator Grosart: Yes, as a lump, but, again, speaking of the Little Seven, this does not seem to be so. It is obviously, on a per capita basis, an area of concentration, but are we following the British pull-out? I am not saying we should.

Mr. Strong: No really, although it is obvious that a pull-out by Britain would create more needs and, in that sense, would enter into our consideration, but there is no attempt by us to take over from the British and, in fact, it is almost the other way. We would try to discourage this kind of attitude from prevailing and, in fact, the British have not really been diminishing in their overall support of this area; it is just that they have not simply been going up, whereas we have been

going up. Now, what they are trying to do is phase out of the budgetary support—that is, the direct support of the budgets of these countries. They are trying to phase that out. I believe that Mr. Darling has the figures on British aid. In fact, British aid from 1964 to 1968 has gone up a bit.

Senator Grosart: Do those figures cover the whole of the Commonwealth Caribbean?

Mr. Strong: Yes.

Senator Cameron: But is there not a feeling in the Caribbean area that because of the British austerity program British aid will of necessity decrease? British aid may have gone up slightly, but it is really almost at a standstill. Is there not a fear that there is an economic vacuum developing there, that if Canada does not fill it, the Americans will? Do you sense any real danger in this area?

Mr. Strong: I have not really been aware of this, nor have I been aware that it was really a concern of ours. I think in the development business, as distinct from the political side of that question, we have been rather anxious to see Americans become more active in the area.

Senator Cameron: But is it not true that there is a feeling in the area that with Britain not making large long-term commitments, which they must have in order to develop properly. They would prefer Canadian capital to come in rather than American? Is this an exaggerated statement? I ask this question because it has been made to me more than once.

Mr. Strong: I think there is a natural tendency for a lot of the smaller countries to have a greater fear of larger countries, and the United States is closer and larger, and perhaps if there is a preference relative one to the other it might work in Canada's favour, but I think, by and large, the overwhelming consideration is that they get more capital for development. I have not really detected any very great concern about American capital.

Senator Cameron: Have the Americans made their contribution to the Caribbean Regional Development Bank?

Mr. Strong: No, they are not subscribing to the capital of that bank, but they have indicated that they are likely to make funds available to the special fund.

The Chairman: I should like you to develop that, Mr. Strong. I know we are getting a little short of time, but I would like to know what the status of the Caribbean Regional Development Bank is.

Mr. Strong: Senator Martin, on behalf of the Government, helped to bring the Caribbean Regional Development Bank into existence about ten days ago. The protocol bringing it into existence has been signed, and the bank has officially been launched. It will have a subscribed capital of \$50 million, \$30 million of which will come from the regional governments, and \$20 million from the United Kingdom and Canada in equal proportions. Half of the original contributions are to be paid in over a five-year period, and the others are to be callable. In addition there will be a special fund to which both Britain and Canada have agreed to provide funds, and to which the United States has indicated a likelihood that it will provide funds. Canada has indicated that it will likely provide initially something of the order of \$5 million by way of special funds.

This is a relatively small capital for a bank. On the other hand, it is a very important move in relation to the development of this whole area. One of the difficulties that were referred to earlier is the difficulty of administering aid programs in a territory involving a lot of small entities with small projects and small populations.

Senator Grosart: But surely this is where they are needed.

Mr. Strong: Yes, indeed, but a regional institution that has the expertise, that has a concentration of knowledge and a concentration of administrative capabilities, can be a tremendous help to the region as a whole, and to donor countries which are anxious to make their help to those countries most effective.

Senator Grosart: But we would be entitled to be concerned if the Caribbean bank, funded locally, by Canada and by the United Kingdom, was breaking out funds for American private enterprise, which no doubt they will do.

The Chairman: That brings me to my second point: is Puerto Rico a contributor to the capital fund?

Mr. Strong: No.

Senator Grosart: No.

The Chairman: This was under consideration at one time.

Mr. Strong: Yes it was.

Senator Grosart: What is the relationship of the regional bank to the Regional Development Agency that was recommended by the tripartite survey?

Mr. Strong: Under the tripartite survey both the agency and the regional bank were recommended, and one and one-half years ago the agency came into being with head office at Antigua. It was recommended in the report that the bank would be the financial affiliate of the agency. That is not now likely to happen. It is not happening officially. The agency has not really taken hold to any significant degree.

Senator Grosart: Has it got any money?

Mr. Strong: No, the agency is mainly a co-ordinating agency. It is difficult for these

countries to be co-ordinated. They cannot be co-ordinated unless they wish to be. The agency, frankly, is at this point a relatively minor factor in the area. The bank is very likely to become a very significant factor in large part because it has the support and the financial participation of each of the regional members, and it will be a capital-providing institution.

Senator Cameron: Mr. Chairman, I am sure I speak for all members of the committee when I say we are very grateful to Mr. Strong for his appearance and for the manner in which he has answered a great proliferation of questions. It has been a very useful session and we are most grateful to him for throwing a great deal of light on a situation which is most important to Canada and to us. Thank you very much.

The Chairman: The meeting is terminated.

APPENDIX "A"

"CANADIAN AID TO THE
COMMONWEALTH CARIBBEAN"
PAPER PRESENTED TO
THE STANDING SENATE COMMITTEE ON
FOREIGN AFFAIRS

by
CANADIAN INTERNATIONAL
DEVELOPMENT AGENCY
1969

INTRODUCTION

During the period 1958 to 1962 Canadian aid to the islands of the Commonwealth Caribbean was extended to the West Indies Federation, which comprised Jamaica, Trinidad and Tobago, Barbados and the Leeward and Windward Islands. Of the \$10 million five-year commitment of grant funds which Canada pledged to the Federation, \$7 million was used to support an inter-island transportation system. The major component of this programme was the provision of the two "Federal" ships at a cost of \$5.8 million. A deep water dock costing \$1 million was constructed in St. Vincent. The balance of the transport programme undertaken included provision of a diesel pilot launch to Barbados and miscellaneous pieces of dock equipment to most of the Leeward and Windward Islands.

Support for education in the individual islands of the Federation was also initiated at the commencement of the Canadian programme. A technical assistance programme that included training of students in Canada and sending of teachers and teacher trainers to the Caribbean was established. The major capital project undertaken was construction of a student residence at the Trinidad Campus of the University of the West Indies at a cost of \$700,000. A small amount of technical school equipment was also provided to St. Kitts. The final component of the Federation programme was the undertaking of water development and storage projects in the islands of Montserrat and St. Kitts and construction of a water supply system in Kingstown, St. Vincent. A resource survey in Dominica was also financed.

In the two years immediately following dissolution of the Federation Canadian aid was continued as a series of separate programmes to the individual islands. Appropriations were used primarily to complete capital projects initiated during the Federation and to continue the technical assistance programme in each island at a modest level. The only new capital projects agreed during these two years were the construction of four primary schools—two in Grenada and one each in Dominica and Antigua—and the erection of a port warehouse in each of St. Kitts and St. Lucia.

Neither Guyana nor Br. Honduras were members of the Federation, and assistance to them during the period of the Federation was extended as part of the Commonwealth Technical Assistance Programme introduced in 1958. After the collapse of the Federation these two British colonies were included as part of the Caribbean appropriation. Until the beginning of the 1964/65 fiscal year Canadian assistance was limited largely to the provision of teachers and advisers and the granting of scholarships in Canada. Some equipment for a technical school and two front-end earth loaders were provided to Guyana. Equipment for a survey team was made available to Br. Honduras.

The introduction of an expanded aid programme in the 1964/65 fiscal year made possible a substantially increased assistance programme for the Commonwealth Caribbean. Separate allocations were established from the aid appropriations for Jamaica, Guyana and Trinidad and Tobago, including provision of development loan funds made available in that year for the first time. Individual pro-

grammes for Barbados, the Leeward and Windward Islands, and Br. Honduras, continued to be funded from a shared grant allocation. Provision was also made for appropriations to be non-lapsing. As a consequence it was possible to hold amounts allocated to a country or region in each fiscal year to their credit until required to meet disbursements arising from agreed commitments.

At the Commonwealth Caribbean-Canada Conference in July, 1966, it was announced the Canadian aid programme since 1964/65 further expanded and that during the next five years a minimum of \$75 million would be made available. This latter announcement was based upon a forward planning and commitment authority relating to the overall aid programme which the Canadian Cabinet had approved in April, 1966. That authority permits programmes to be planned in each of the four future years at a level up to the current year's allocation available to each country or

region. In addition, firm commitments may be made with respect to the planned programme in each of the four future years up to 75 per cent of the current year's allocation. An agreement was also concluded at the Conference which established a five-year programme for the University of the West Indies to be financed from a separate allocation.

The following sections of this paper outline the Canadian aid programme since 1964/65 for each region which has received a specific aid allocation. The paper concludes with a general statement on planning of future Canadian aid programmes in the Commonwealth Caribbean. Two appendices are attached to the paper. Appendix "A" lists all completed capital projects and Appendix "B" enumerates all current capital projects.

JAMAICA

Canadian aid allocations to Jamaica since 1964/65 are indicated in the following table:

	1964/65 to 1968/69	1969/70	Total
Grants.....	\$ 4.35 mn.	\$ 1.75 mn.	\$ 6.10 mn.
Loans.....	\$ 14.75 mn.	\$ 3.50 mn.	\$ 18.25 mn.
TOTAL.....	\$ 19.10 mn.	\$ 5.25 mn.	\$ 24.35 mn.

Apart from a \$100,000 food grant provided in 1968/69, the 1969/70 allocation of \$5.25 million is equivalent to last year's level. Expressed in terms of Jamaica's population Canadian aid amounted to approximately \$3 per person in 1968/69.

The grant allocation to Jamaica has been used almost exclusively to finance the technical assistance programme. As of March 31st, 1969, 25 teachers and 7 technical advisers were serving in Jamaica and 63 Jamaicans were in Canada on training programmes.

The capital assistance programme financed with development loans has extended over a wide field of economic activity. Financing of materials for low income rural and urban housing, as well as the supply of 108 rural prefabricated schools, has been agreed. Water and sewerage projects in the Kingston subdivision of Harbour View and the eastern part of the parish of St. Mary have also been

undertaken. A feasibility study for a sewerage and water system in St. Andrews is currently under way. Equipment for the Department of Public Works has been provided and a VHF communications network linking government agencies is being installed. Construction of the Olivier Bridge, the first project financed with development loans, was completed in 1968. It was officially opened in July, 1968, as the Bustemante Bridge, named in honour of Jamaica's first Prime Minister. Provision of materials required for five small bridges to be erected in various parts of the island was agreed in the autumn of 1968. In addition to support for bridge construction, Canada is financing the preparation of a transportation survey for the island.

TRINIDAD AND TOBAGO

Canadian aid allocations to Trinidad and Tobago since 1964/65 are indicated in the following table:—

	1964/65 to 1968/69	1969/70	Total
Grants.....	\$ 4.35 mn.	\$ 1.75 mn.	\$ 6.10 mn.
Loans.....	\$ 14.89 mn.	\$ 3.50 mn.	\$ 18.39 mn.
TOTAL.....	\$ 19.24 mn.	\$ 5.25 mn.	\$ 24.49 mn.

The 1969/70 allocation of \$5.25 million is equivalent to the level of allocations that were provided in 1968/69. Expressed in terms of Trinidad's population, Canadian aid amounted to more than \$5 per person in 1968/69.

The grant allocation to Trinidad has been used almost exclusively to finance the technical assistance programme. As of March 31st, 1969, there were 23 teachers and 8 advisers serving in Trinidad and Tobago and 56 Trinidadians were receiving training in Canada under various programmes.

Development loan funds have been used to finance the provision of rural electrification equipment, port equipment, and prefabricated factory shells. A variety of studies have also

been undertaken including a recently completed transportation study, a water resources study, and an aerial survey now under way. Agreements were concluded in December, 1968, which included the provision of hospital equipment, additional rural electrification equipment, a fisheries development loan, and a loan to finance feasibility studies. Approximately 3,000 head of cattle will have been provided by the autumn of 1969 for establishment of dairy farms on crown lands being opened to small farmers.

GUYANA

Canadian aid allocations to Guyana since 1964/65 are indicated in the following table:—

	1964/65 to 1968/69	1969/70	Total
Grants.....	\$ 6.4 mn.	\$ 2.0 mn.	\$ 8.4 mn.
Loans.....	\$ 5.5 mn.	\$ 2.5 mn.	\$ 8.0 mn.
TOTAL.....	\$ 11.9 mn.	\$ 4.5 mn.	\$ 16.4 mn.

The 1969/70 allocation of \$4.5 million is equivalent to the level of allocations that were provided in 1968/69. Expressed in terms of Guyana's population, Canadian aid amounted to approximately \$7 per person in 1968/69.

The grant allocation has been used to finance both technical assistance and capital projects in Guyana. As of March 31st, 1969, there were 7 teachers and professors and 3 advisers serving in the country and 43 Guyanese were receiving training in Canada under various programmes.

Canadian capital assistance, which has been provided from both grant and loan allocations, was initially related to the provision of goods essential to the maintenance of the

economy. Two diesel locomotives, firefighting equipment, and highway construction equipment were made available. Efforts have been directed more recently towards provision of equipment and services that would contribute to expansion of the economy. Two Twin Otter aircraft were provided to Guyana Airways Corporation. A fish processing plant is under construction in New Amsterdam. An aerial survey of the northern half of the country is nearing completion and agreement was reached in 1968 to extend the survey to include the southern regions. Tenders have been received for a vocational school in New Amsterdam which will be financed with Canadian funds. Teachers to staff the school will be provided by Canada and training of

Guyanese counterparts to replace the Canadians will be undertaken in Canada. Together with the United Kingdom, Canadian funds are supporting construction of the initial ten buildings for the University of Guyana. Canada has also been involved in a programme to aid the Amerindian population in the Guyanese interior.

LEEWARD AND WINDWARD ISLANDS, BARBADOS, BR. HONDURAS

Canadian aid allocations to above territories since 1964/65 are indicated in the following table:—

The 1969/70 allocation of \$8.00 million represent an increase of \$2.00 million above

	1964/65 to 1968/69	1969/70	Total
Grants.....	\$ 18.69 mn.	\$ 7.00 mn.	\$ 25.69 mn.
Loans.....	\$.25 mn.	\$ 1.00 mn.	\$ 1.25 mn.
TOTAL.....	\$ 18.94 mn.	\$ 8.00 mn.	\$ 26.94 mn.

that provided in 1968/69. This increase was used to permit establishment in the current year of separate allocations for Barbados (\$1.5 million) and Br. Honduras (\$0.5 million). Development loan allocations have been provided only to Barbados. Expressed in terms of population of the region, the total Canadian aid allocations amounted to approximately \$9 per capita.

As noted in the Introduction, four primary schools and two port warehouses were provided to individual Leeward and Windward Islands during the period immediately after the dissolution of the Federation. Construction of these projects started in 1964 and allocation available in the 1964/65 fiscal year for capital aid were allotted to meet their cost. This construction programme was nearing completion in 1966 and, in anticipation of the need to inaugurate an expanded aid programme to these islands and Barbados an economic survey of the region was undertaken in the spring of 1966.

Since 1966 planning of the Canadian aid programme to these islands has been based on the analysis of the economic requirements for future development outlined by the Tripartite Economic Survey of the Little Eight. The Tripartite Survey, which was sponsored by the United States, United Kingdom and Canada, concluded that the key sector that would stimulate self-sustained economic growth in the region was tourism. Recognizing that actual tourist facilities should be financed by private capital, the survey stressed that this capital could only be attracted if the governments in the region developed the necessary

infrastructure facilities, particularly social and educational institutions required for manpower training, communication links, and a capability in agriculture. The survey also stressed that development efforts of the islands must be integrated and recommended that a Regional Development Agency be established for this purpose. The inaugural meeting of this Agency was held in April, 1968, in Antigua. Finally, it noted the continued dependence of five of these islands on grants-in-aid from the United Kingdom to finance their recurring budgetary costs and their consequent need to obtain significant amounts of external capital on concessional terms.

While the Tripartite survey recommendations outlined a strategy for the pattern of future assistance to these islands, it was recognized that planning of a programme based on its recommendations would require considerable time and discussion. Consequently, during the fiscal years 1965-66 and 1966-67 a capital programme was developed which followed in general terms priority requirements identified by the Report. The Canadian Government undertook water projects in four of the islands at a cost of \$1.15 million. In addition, it undertook to construct a primary school in each of two islands and a technical school in a third, and allocated \$560,000 from the funds available during these two years to prepare plans for the buildings. Miscellaneous pieces of equipment were provided to the University of the West Indies. Construction of an air terminal in Montserrat was approved

and preliminary planning for a fish processing plant in Grenada was undertaken.

Beginning with the 1967-68 fiscal year the governments were advised that Canada was prepared to plan a five-year programme of assistance to the region. It was decided to concentrate this effort in the air transport, water resources and education sectors and that a minimum of \$1 million per year would be available for each of these sectors. In addition, \$200,000 per year for the same period was made available for agricultural development. Since April 1st, 1967, planning of specific projects within these major sectors has progressed. Major extensions to airport runways in Antigua and St. Lucia have been approved, as well as surfacing of the airfield in Nevis. Rehabilitation of the runway in Dominica will also be undertaken, and preliminary assessment of an international jet airport site in that island is to be made. Development of the water programme has been based on the work done by the Pan American Health Organization and specific projects are under way in four islands. Design of a standard ten-room prefabricated primary school has been completed and twenty of these buildings are to be erected in the autumn of 1969.

Technical assistance to these territories has been an expanding component of the Canadian aid programme. In 1966-67 fiscal year, total disbursements for technical assistance amounted to \$1.2 million, compared to a total for the previous three years of \$1.5 million. In 1967-68 a total of \$1.4 million was disbursed for technical assistance, a level maintained in 1968-69. As of March 31st, 1969, there were 35 teachers and 7 advisers serving in the region and 192 trainees in Canada.

Although Barbados has been included for planning purposes with the Leeward and Windward Islands, Canadian aid for capital projects on the island has been limited. In September, 1967, a \$250,000 development loan to finance the purchase of dairy cattle and equipment was concluded. In November, 1968, agreement was reached among the various governments that three of the 20 primary prefabricated schools to be provided throughout the region from the Canadian allocation should be available to Barbados. In September, 1968, \$50,000 was allotted to provide base maps prepared from an earlier survey for improved taxation assessment of property.

Br. Honduras has been excluded from the planning of the five-year sector programme to the island territories of the Caribbean. Apart from a continuing technical assistance programme of a modest level, Canada has allocated \$565,000 to finance construction of a bridge in Belize.

UNIVERSITY OF THE WEST INDIES

As noted in the Introduction, Canada agreed at the Commonwealth Caribbean-Canada Conference in July, 1966, to establish a separate programme of support to the University. Prior to this agreement, a student residence had been constructed in St. Augustine Campus, Trinidad, as part of the Federation programme and miscellaneous equipment for the library at Cave Hill Campus, Barbados, was made available in 1965.

The agreement concluded at the Conference provided that Canada would allocate \$1 million in grant funds to the University in each of the five years from 1966 to 1971. To implement the agreement the University was authorized to deal directly with the Canadian International Development Agency instead of through the governments of those countries where the faculties were located. A programme consisting of the construction of buildings, provision of scholarships at the University of the West Indies and in Canada, and provision of Canadian professors to lecture at the University has been developed.

The construction programme to be supported with Canadian aid funds comprises:—

- (a) Residence for 120 students at Cave Hill Campus.
- (b) Faculty Club Building at St. Augustine Campus.
- (c) University Centres, for extra-mural courses, on Dominica, Granada, Montserrat, St. Kitts, St. Lucia and St. Vincent.

The budget established to construct and furnish these buildings is \$2,131,000, of which \$1,731,000 will be provided from the Canadian allocation. The contract for the project was awarded in May, 1969. Canada has also agreed to reserve \$800,000 of the five-year allocation to enlarge the library facilities at Mona Campus, Jamaica, and discussions are being held with University officials to finalize details for this segment of the programme.

The scholarship programme to be supported from the Canadian allocation was to be implemented on a phased basis until it reached the following levels:—

135 Annual Undergraduate Scholarships tenable at the UWI.

28 Annual Postgraduate Scholarships tenable in Canada.

5 Annual Senior Staff Awards in Canada.

An innovation in Canadian aid policy was the financing of scholarships at an institution outside Canada. In the current academic year there were 93 students on scholarship at the University of the West Indies, 21 postgraduate students in Canada and 2 Senior Staff members in Canada. It is expected that the maximum number of scholarships available annually will be utilized at the beginning of the 1969/70 academic year and that the annual cost of the programme at its maximum will be \$335,000.

The third phase of Canadian assistance is the provision of Canadian professors to serve on the staff of the University of the West Indies. This programme is restricted to approximately 20 staff members yearly, at an annual cost of \$350,000. In the current academic year 18 Canadians served in 12 faculties. Ten professors were located at Mona, Jamaica; five at St. Augustine, Trinidad; and three at Cave Hill, Barbados.

PLANNING OF FUTURE PROGRAMME

In the four years following the 1966 Commonwealth Caribbean-Canada Conference, Canadian aid allocations to the region amounted to \$77.6 million. Maintenance of the 1969/70 allocation level of \$24 million in 1970/71 would result in the total level of Canadian aid reaching \$101.6 million during the five-year period to which the Canadian pledge made at the 1966 Conference applied. Commitment of each territory's allocation to specific projects is based upon consultations with individual governments to identify developmental objectives which can be supported by the provision of Canadian goods and services. A project selected for Canadian aid support would normally be a component of a total programme in a specific sector of the economy which both Canada and the government concerned agree will result in expansion of national income.

The strategy for development in the small islands of the Eastern Caribbean was enunciated in the Tripartite Report and the sectors to which Canadian aid has been programmed were selected on the basis of that strategy. Existing project commitments for airfields,

schools and water development are expected to utilize the current allocation level until the end of 1970/71. Identification of specific projects to be initiated in the following period will take place during the next two years and will include reappraisal of the current sectors of concentration to determine whether the programme should retain its present emphasis or be redirected in response to changing economic events.

Both Jamaica and Trinidad have prepared proposals for five-year development plans to be initiated in the current year. A draft of Trinidad's Plan was released in March, while Jamaica's Plan has not yet been presented by the Government to its Parliament for consideration. Preliminary discussions have taken place between CIDA officials and officials of the respective governments to determine ways in which Canadian aid may be effectively programmed to support the objectives of the development plans.

These discussions have led, in the case of Jamaica, to agreement that Canadian funds will be provided to design expansions to the water systems serving five communities throughout the island, including the tourist centre of Montego Bay. In addition, technical assistance is to be provided to the National Water Authority for a two-year period to strengthen its capability not only to proceed with construction of the systems but to initiate planning for future requirements and to strengthen administration of the existing facilities. Jamaican nationals will also be trained in Canada to eventually replace the Canadian personnel. This integrated project, while a continuation of previous support by Canada to develop Jamaica's water resources, is indicative of CIDA's effort to commit Canadian aid in response to agreed requirements for continuing development of a particular sector.

Planning of Canadian aid to Guyana has also led to establishment of specific requirement for future development of two particular sectors. Feasibility studies undertaken in the past four months to identify a programme to support civil aviation in the country will permit planning of a long range programme for this sector. In education, Guyana is instituting a five-year programme to establish technical and vocational subjects as an integral part of its secondary school system with financial support from the World Bank. CIDA, in consultation with the Ministry of

Education and the World Bank, has been developing a programme to train technical and vocational teachers in Canadian institutions for the new schools. It is expected that this programme, together with the existing Canadian programmes to the University and the New Amsterdam Technical Institute, will absorb the administrative capabilities of the Guyanese education authorities until 1973.

The water programme in Jamaica and the civil aviation and education programme in Guyana have been discussed with the respective government authorities for several months. As the specific projects identified within those sectors for Canadian assistance progress, it is anticipated that additional projects will arise which can be supported with

Canadian goods and services. This pattern of project development through continued involvement in key sectors of the economy is the basis on which planning for other Canadian projects in the region will proceed in the future.

Canada has also participated in negotiations to establish a Regional Development Bank for the Caribbean. These negotiations, which have been under way for the past two years, were complicated by Jamaica's decision in April, 1968, to withdraw from the discussions. The governments in the region have indicated that they wish to proceed with establishment of the Bank and active negotiations are expected to resume this summer.

APPENDIX "A"
(Revised October 29, 1969)

COMPLETED CAPITAL PROJECTS

(NOTE: All projects were financed by grant funds unless identified as loan financing by an (L) preceding the name of the project)

I. WEST INDIES FEDERATION—1958/59 TO 1961/62.

Transportation Sector

(1) Passenger Cargo Vessels.....	\$ 5,868,092.31
(2) St. Vincent Dock.....	1,005,364.01
(3) Dock and Harbour Equipment for Various Islands.....	285,044.44

Education Sector

(1) University Residence—Trinidad.....	696,423.78
(2) Vocational School Equipment—St. Kitts.....	29,499.91

Water Sector

(1) Water Development—Montserrat.....	30,000.00
(2) Water Development—St. Kitts.....	371,053.88
(3) Kingston Water System—St. Vincent.....	16,331.05

Miscellaneous

(1) Film on Federation.....	10,000.00
(2) Resource Study—Dominica.....	34,717.34

II. POST FEDERATION PERIOD—1962/63 AND 1963/64

Transportation Sector

(1) Two Warehouses—St. Kitts and St. Lucia.....	100,000.00
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Education Sector

(1) Four Schools—Antigua, Dominica and Grenada (2).....	1,339,740.03
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Miscellaneous

(1) Feasibility Study.....	10,225.68
(2) Survey Equipment—Br. Honduras.....	53,428.45
(3) Front End Loaders—Guyana.....	29,176.65

III. COUNTRY ALLOCATIONS—1964/65 TO 1968/69

(A) JAMAICA

Transportation Sector

(L) (1) Olivier (Bustamante) Bridge.....	445,000.00
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<i>Education Sector</i>	
(1) Vocational Training Equipment.....	39,987.79
(2) Technical School Equipment.....	171,092.78
<i>Water Sector</i>	
(1) Materials for Community Stand Pipes.....	150,414.04
<i>Miscellaneous</i>	
(1) Study of Fishing Industry.....	4,120.08
(L) (2) Aerial Survey.....	72,610.17
(B) TRINIDAD AND TOBAGO	
<i>Transportation Sector</i>	
(1) VOR Instrument Landing—Piarco Airfield.....	101,323.76
(L) (2) Survey.....	392,600.00
(L) (3) Harbour Equipment.....	336,844.73
<i>Energy Sector</i>	
(L) (1) Rural Electrification—Stage I.....	650,000.00
<i>Natural Resources Development</i>	
(L) (1) Water Survey.....	340,000.00
<i>Agriculture Sector</i>	
(L) (1) Dairy Cattle—Stage I.....	900,000.00
<i>Miscellaneous</i>	
(1) Development Surveys.....	41,514.15
(2) Firefighting Equipment.....	19,824.89
(3) Law Reports.....	1,984.00
(4) Films—Police Force.....	846.15
(C) GUYANA	
<i>Transportation Sector</i>	
(1) Highway Maintenance Equipment.....	460,392.95
(2) Diesel Locomotives.....	374,750.37
(3) Twin Otter Aircraft.....	328,445.44
(L) (4) Twin Otter Aircraft.....	500,000.00
<i>Miscellaneous</i>	
(1) Aid to Amerindians.....	97,433.71
(2) Fire and Dump Trucks.....	38,869.99
(D) LEEWARDS, WINDWARDS, BARBADOS AND BR. HONDURAS	
(i) Pre-Tripartite Survey Programme (1965/66 and 1966/67)	
<i>Transportation Sector</i>	
(1) Harbour Launches—Antigua—Dominica, St. Vincent.....	105,852.50
(2) Air Terminal Building and cold storage facilities—Montserrat.....	317,000.00
<i>Education Sector</i>	
(1) Library Equipment—University of the West Indies, Barbados.....	125,484.26
<i>Water Sector</i>	
(1) Distribution System—St. Lucia.....	350,000.00
(2) Survey of Resources—Montserrat.....	352,000.00
(3) Storage Facilities—St. Kitts.....	198,000.00
<i>Miscellaneous</i>	
(1) Study of Banana Industry—St. Lucia.....	50,000.00
(2) Transportation of Hospital Supplies.....	37,997.15
(ii) Tripartite Survey Period Beginning 1967/68	
<i>Agriculture</i>	
(1) Fertilizer—St. Vincent and St. Lucia.....	53,490.05
(2) Cattle—Dominica.....	25,490.28

CURRENT CAPITAL PROJECTS

(NOTE: Each project is identified by a (G) preceding it if financed by grant funds and an (L) preceding it if financed by loan funds)

JAMAICA

Transportation Sector

(L) (1) Transportation Survey.....	\$ 500,000.00
(L) (2) Material for five small bridges.....	300,000.00

Education Sector

(L) (1) Primary prefab schools—108.....	1,550,000.00
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Water Sector

(L) (1) Harbour View Sewerage System.....	825,000.00
(L) (2) St. Mary's Water Supply System.....	1,200,000.00
(L) (3) Kingston—Sewerage Study.....	180,000.00
(L) (4) Water Resources Programme.....	1,250,000.00

Miscellaneous

(L) (1) VHF Radio System for Govt. Depts.....	760,000.00
(L) (2) Public Works Dept. Equipment.....	670,000.00
(L) (3) Materials for House Construction.....	575,000.00
(L) (4) Hospital Equipment.....	700,000.00
(L) (5) Unallocated Balance of Feasibility Study.....	247,389.83

TRINIDAD

Natural Resources Development

(L) (1) Aerial Survey.....	1,500,000.00
(L) (2) Feasibility Studies.....	548,000.00
(L) (3) Fisheries Equipment.....	250,000.00

Energy Sector

(L) (1) Rural Electrification.....	1,266,000.00
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Agriculture

(L) (1) Dairy Cattle—Stage II.....	810,000.00
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Miscellaneous

(L) (1) Lumber for low cost housing.....	400,000.00
(L) (2) Factory Shells for Industry.....	800,000.00
(L) (3) Hospital Equipment.....	486,000.00

GUYANA

Transportation Sector

(G) (1) Highway Feasibility and Design Study.....	300,000.00
(G) (2) Aviation Communication Equipment.....	165,000.00

Education Sector

(G) (1) University of Guyana.....	1,200,000.00
(G) (2) New Amsterdam Technical Institute.....	1,170,000.00

Natural Resources Development

(L) (1) Aerial Survey.....	3,100,000.00
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Miscellaneous

(G) (1) New Amsterdam Fish Plant.....	239,000.00
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LEEWARD, WINDWARD, BARBADOS, BR. HONDURAS

(i) Pre-tripartite Survey Programme 1965/66 and 1966/67

Transportation Sector

(G) (1) Belize Bridge—Br. Honduras.....	590,000.00
(G) (2) Construction of Bequia Jetty—St. Vincent.....	22,000.00

Education Sector

(G) (1) Grand Bay School—Dominica.....	850,000.00
(G) (2) Pares Village School—Antigua.....	790,000.00
(G) (3) Technical School—St. Lucia.....	1,000,000.00

Water Sector

(G) (1) Survey of Possible Dam Site—Antigua.....	250,000.00
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Agriculture

(L) (1) Dairy Development—Barbados.....	250,000.00
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Miscellaneous

(G) (1) Fish Storage Plant—Crenada.....	235,000.00
(ii) Tripartite Survey Programme Beginning 1967/68	

Transportation Sector (Airfields)

(G) (1) Beane Field Runway Extension—St. Lucia.....	2,382,000.00
(G) (2) Coolidge Field Runway Extension—Antigua.....	1,460,000.00
(G) (3) Feasibility Survey of Sites—Dominica.....	200,000.00
(G) (4) Melville Hall Runway Rehabilitation—Dominica.....	1,000,000.00
(G) (5) Newcastle Field Runway Surfacing—Navis.....	220,000.00

Education Sector

(G) (1) Twenty Prefab Primary Schools.....	2,700,000.00
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Water Sector

(G) (1) Distribution System—Dominica.....	347,000.00
(G) (2) Well Driller & Rig for Survey—St. Kitts.....	100,000.00
(G) (3) Distribution System—St. Lucia.....	1,250,000.00
(G) (4) Distribution System and Survey—St. Vincent.....	425,000.00
(G) (5) Collector System at Coolidge Field—Antigua.....	260,000.00
(G) (6) Distribution System—Grenada.....	775,000.00

Agriculture

(G) (1) Animal Feed Study—Barbados.....	650,000.00
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Miscellaneous

(G) (1) Maps for Taxation—Barbados.....	50,000.00
(G) (2) Vieux Fort Study—St. Lucia.....	100,000.00

UNIVERSITY OF THE WEST INDIES

(G) (1) Student Residence, Six Island Centres and Faculty Club.....	1,731,000.00
(G) (2) Library—Mona Campus.....	800,000.00

REGIONAL

(G) (1) Computer for Dicennial Census.....	850,000.00
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Second Session—Twenty-eighth Parliament
1969

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 2

WEDNESDAY, NOVEMBER 19, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Honourable Mitchell Sharp, Secretary of State for External Affairs.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

"With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally in any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

"With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

"With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative."

MINUTES OF PROCEEDINGS

WEDNESDAY, November 19, 1969.

(2)

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 11:05 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Cameron, Carter, Choquette, Connolly, Gouin, Grosart, Haig, Laird, Martin, McLean, Phillips, Rattenbury and Yuzyk.—(14)

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee resumed consideration of matters relating to the Caribbean Area.

Ordered: That a "Report on Canada's Relations with the Countries of the Caribbean Region" prepared by the Department of External Affairs be included in the Committee's printed Proceedings. (*See Appendix "B" to today's Proceedings*).

The Chairman of the Committee (Senator Aird) introduced the witness:
Honourable Mitchell Sharp,
Secretary of State for External Affairs.

The Minister was thanked for his contribution to the Committee's studies.

At 12:45 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Wednesday, November 19, 1969

The Standing Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (*Senator John B. Aird*) in the Chair.

The Chairman: Honourable senators, as you know, our meeting this morning will conclude the second phase of our Caribbean inquiry, in which we have been examining Canada's official relations with the area.

For general reasons it was planned that the last of these meetings would cover the whole range of activities and interests of the Department of External Affairs.

Our previous meetings which have been going on since February last, have given us a detailed picture of the area's problems and Canada's official relations in the spheres of trade, immigration and development assistance. Honourable senators will recall that two weeks ago we had Mr. Maurice Strong here from the Canadian International Development Agency (CIDA). These hearings have generated a large number of specific questions and have also prepared the committee for an examination of the general direction of Canadian policies.

The diplomatic perspective on Canada's relations with an area is, of course, the most comprehensive-encompassing aspect of all types of relations, official and unofficial, as well as the broad political issues involved. It is, therefore, very fortunate that the Secretary of State for External Affairs, the Honourable Mitchell Sharp, has been able to appear at this stage, and give us the diplomatic overview of his department. We particularly appreciate his making the time available so soon after returning from an arduous and, I gather, rather exciting and informative visit to the Middle East.

Trade and tariff questions are very important aspects of our relations with this area. We are particularly fortunate to have Mr.

Sharp speaking to us, because of his distinguished and diversified experience in these areas of policy.

The most useful report prepared by the department covers only the Commonwealth countries of the Caribbean, since a full report on the non-Commonwealth area will not be available until after the completion of the Latin American policy review. I am sure, however, that Mr. Sharp will be happy to deal with any questions which honourable senators may have on our relations with these other countries in the region.

Perhaps I should explain the format we follow at these meetings. As you know, all honourable senators have been provided with the brief. Our research department has prepared and delivered to members of this committee a commentary on that brief. In questioning, we try to adopt the formula of having one senator lead the questioning and, we hope, all others participating. Senator Robichaud was to lead the questioning and I regret to advise that he had an urgent appointment this morning and cannot be here. I have asked Senator Grosart if he would substitute, and he has indicated that he would be very pleased to do so.

Personally, for a variety of reasons, many of which extend over many years, Mr. Minister, I am delighted to see you here this morning. I make you most welcome. I presume, sir, that you wish to make some kind of introductory statement. Then, when you have completed it, I will turn to Senator Grosart and conduct the meeting accordingly.

Hon. Mitchell Sharp, Secretary of State for External Affairs: Thank you very much, Mr. Chairman. Honourable senators, first of all, I should like to thank you very much for meeting my convenience in this sitting of the committee. I gather that it was put off from its customary day until today, in order to enable me to appear.

As you have said, Mr. Chairman, I had a very interesting and exciting time in my trip

through the Middle East. I shall be making a brief report today, at the opening of the House of Commons, and I expect there will be some discussion then.

May I also congratulate honourable senators of the facilities. Things are picking up in the Senate. It impresses me very much.

May I also congratulate the senators on these facilities. Things are picking up in the Senate. It impresses me very much, particularly to be met with a battery of camera men and so on. This is something that rarely happens in Commons Committees so it just shows how the Senate is gradually maturing; and under the guidance of the former Secretary of State for External Affairs it is showing that familiarity with these subjects that is going to, I am sure, enhance the reputation, if that is possible, of the Canadian Senate.

The Chairman: I do not wish to interrupt, Mr. Minister, but that is the first time in my recollection that the Senate has been charged with lacking maturity.

Senator Grosart: It is the new "Martin image".

Hon. Mr. Sharp: Mr. Chairman, honourable senators, I am glad to have this opportunity to appear before the Standing Senate Committee on Foreign Affairs to speak, as you have suggested, about Canada's relations with the countries of the Caribbean region.

I know that you have had the benefit of hearing a number of other witnesses, some of them distinguished experts living and working in the Caribbean, speaking on the economic and development problems of the region. You have also heard testimony from various departments of the Canadian Government—trade officials speaking about trade with the region, immigration officials speaking about immigration from the Caribbean, and Mr. Strong, President of CIDA, speaking about our development assistance programs in the area. I understand that further meetings are planned to examine the involvement of private Canadian interests in the area.

When your chairman wrote to me earlier this year, he asked whether my department could prepare a factual report on the state of Canada's present relations with the countries of the Caribbean region. He suggested that the report might deal to some degree with the Commonwealth Caribbean-Canada

Conference held in Ottawa in 1966, with any follow-up action which has been taken, and with our attitude toward the development of regional co-operation within the Caribbean. Such a document as it relates to the Commonwealth Caribbean has been prepared and has been circulated to members of the committee. As your chairman has been informed the second part of the report, covering Canada's relations with the Latin Caribbean countries, will not be available pending completion of the Latin American policy review. Finally, although I do not intend to deal extensively with this particular aspect here, I should like to draw attention to the existence of French territories in the Caribbean; Martinique, Guadeloupe and Guyane. In the interest of a well balanced policy towards the area, I think we should in the foreseeable future develop our links with these territories which form part of France. This is a question we shall have to examine in the light of the close relationship we have and hope to maintain with France.

In my remarks, I propose to describe briefly the main objectives of Canadian policy towards the Caribbean, and to emphasize those recent and current developments which tend towards increased co-operation between the countries of the region.

At the time of the 1966 conference, Canadian objectives towards the Commonwealth Caribbean countries were defined briefly as follows: first, to demonstrate Canada's sympathetic interest in strengthening contacts with those countries; second, to foster the development of economic links and to promote co-operation in harmonizing economic development and investment plans; third, to encourage movements toward economic and political co-operation in the Commonwealth Caribbean; and fourth, while respecting the integrity of the Caribbean countries, both collectively and individually, to encourage discussions with them on matters of common interest.

During and following the 1966 conference, there was wide recognition among the countries of the region that closer relations required some changes in the traditional methods and patterns of trade. A major step towards regional economic co-operation came in October 1967, when the heads of Caribbean governments agreed on the establishment of a Caribbean Free Trade Area, known as CARIFTA, to come into effect in May of the following year. Under this agreement, par-

ticipating governments have undertaken to remove tariffs on all trade between them, except for certain products on a short reserve list. The more developed countries aim at abolishing tariffs on reserved items within five years, while the smaller islands have up to ten years to achieve this step. There is a small secretariat in Georgetown to administer the agreement and to allocate markets among area producers on the basis of supply and demand information provided by the members. The CARIFTA agreement is only 18 months old and so far complete trade statistics are available only to the end of 1968; that is, seven months after the agreement went into effect. However, from this information it seems certain that the effect of the agreement—which does not, of course, include any countries outside of the area and does not include Canada, Britain or the United States—has been to stimulate a new interest in intra-regional trade.

One initiative of the 1966 Canada-Commonwealth Caribbean Conference has come to fruition this year. Caribbean leaders who met in Ottawa three years ago felt the need for a Development Bank to help finance enterprises contributing to the development of the smaller islands in the eastern Caribbean as well as those which would benefit the region as a whole. After careful study and numerous meetings, agreement was reached last July to establish a Caribbean Regional Development Bank. Its main purpose is to stimulate development through its own lending activities and to act as a catalyst for foreign investment in the Caribbean region. At a ceremony in Kingston on October 18, the formal instrument was signed which brought the bank into existence. From the outset, Canada agreed to participate in the bank as a non-regional member, and to contribute to the equity of the bank, as well as to the Special Fund which will make loans on concessional terms. Out of a total capitalization of \$50 million, Canada has subscribed \$10 million equity capital and its contribution to the Special Fund is \$5 million, to be contributed over a five-year period. It is anticipated that the first organizational meeting of the bank will take place in Barbados early in 1970.

In recent years there has been a growing pattern of consultation among Commonwealth Caribbean governments to discuss matters of common interest. I mentioned earlier the small secretariat established in Georgetown to administer CARIFTA. In 1968 the decision was taken to transform this body into the

Caribbean Regional Secretariat with expanded functions including responsibility for, first, servicing heads-of-government conferences held with increasing frequency; second, implementing decisions reached at heads-of-government meetings; third, servicing the Council of Ministers set up to oversee CARIFTA; and fourth, investigating and studying proposals or ideas for further regional co-operation.

A Regional Development Agency, stemming from the 1966 Tripartite Economic Survey of Barbados and the Leeward and Windward Islands (the "Little Eight") was established at the initiative of the regional governments in 1967 and held its first formal meeting in 1968. Canada, along with the United Kingdom and the United States, is an ex officio member of the agency and is represented by the High Commissioner in Port of Spain. The main functions of the agency are to review the development programs of members, to identify projects suitable for investment, and to assign priorities. However, the agency has run into certain problems, and, to date, the expectations that it would become an effective co-ordinating body have not been fully realized.

I should also like to mention briefly a number of other matters discussed at the 1966 conference, and to indicate the follow-up action which has been taken. First, it was agreed that there should be a study of direct shipping services between Canada and the Caribbean area. This study has been completed and the report was transmitted about a year ago to the Caribbean governments and other interested organizations with a request for comments.

Second, a number of governments in the eastern Caribbean felt the need for improved airport facilities in order to take advantage of improved air transportation to develop their tourist industries. Our efforts to assist in this area have been reflected in our Development Assistance Program. At present, some \$5.2 million has been authorized for the improvement of air transportation facilities in five countries in the eastern Caribbean and a further substantial program is under consideration for a sixth country. Our partners in this co-operative effort to improve air transportation facilities are Montserrat, St. Lucia, Antigua, Dominica and St. Kitts-Nevis-Anguilla.

Regional co-operation in civil aviation was another subject raised at the conference and

followed up by Canada. Air Canada was commissioned to study the prospects for establishing a regional air carrier, and, following the study, the Canadian Government indicated its willingness to extend the necessary assistance but, unfortunately, there was insufficient agreement within the region to enable the concept to mature. Subsequent to the decision of British West Indian Airways to seek financial assistance elsewhere than from Canada, a commercial agreement between Air Jamaica and Air Canada was signed, whereby Air Jamaica obtained some additional capital and some Air Canada management and assistance.

One reason for our interest in civil aviation in the Caribbean is the long-standing service of Air Canada to various islands in the area. Originally this developed out of the 1949 air agreement between Canada and Britain. Both the Canadian travelling public and Air Canada on one hand, and the economies of many countries and territories of the Caribbean on the other, have benefited greatly over the years. As some of the territories became independent they expressed interest in establishing bilateral air relations with Canada and we have in every case stated our willingness to negotiate. In fact, negotiations were concluded with Trinidad and Tobago last August (though the Agreement has not yet been signed) and negotiations with Barbados and Jamaica are expected to begin early in 1970.

It was also felt at the 1966 Conference that there would be value in a study of the possibility of establishing a free trade area between Canada and the Commonwealth Caribbean. Subsequently the Canadian Government commissioned the Private Planning Association to undertake such a study. The report has been completed and is currently being examined by officials.

Some of the Caribbean governments were also interested in concluding agreements with Canada designed to avoid double taxation of firms and individuals carrying on business in both countries. Such an agreement has been concluded with Trinidad and Tobago, and discussions about a possible agreement are taking place with Jamaica.

To follow up on matters discussed at the 1966 Conference, a Trade and Economic Committee met at the official level in St. Lucia in February of 1967. Since that time, there have been several meetings of an interdepartmental committee on Commonwealth Caribbean-

Canada Relations established in Ottawa. This committee consists of officials of interested departments and agencies of the Canadian Government and the High Commissions of Caribbean countries represented in Ottawa.

That is my formal statement, Mr. Chairman, and as you can see it is directed particularly towards the questions that I have been asked to examine.

The Chairman: Thank you, Mr. Minister. Following the usual procedure I will now call on Senator Grosart to lead the questioning. Before we start, however, we have a motion to put this brief from the department on the record. Is it agreed, honourable senators?

Agreed.

(See Appendix "B" to these Proceedings).

Hon. Senators: Agreed.

Senator Grosart: Mr. Minister, I join with the chairman in expressing the thanks of the committee to you for coming here this morning after such a strenuous trip. We were very happy to put off our meeting for one day to be able to have you with us. We look forward to your report later today on the very interesting trip you have just concluded. I would also like to compliment you, sir, and the officials of your department on this excellent brief that has been presented to us. We in this committee have ranged over a large number of documents in an attempt to educate ourselves on the problems of the Caribbean and my own view is that this is just about the best single summary presented to us.

It is my intention to confine myself and my questions to the Commonwealth Caribbean leaving it to other members of the committee to deal with questions about the non-Commonwealth areas. If I may I shall run down the brief that was presented to us and refer you to the pages on which information is given out of which my questions arise. Just a small point to begin with in case this brief is used for other purposes; in the introduction I think you will agree we should include Guyana and British Honduras in the continental area of the Caribbean. I think perhaps that is a stenographic omission there.

My first question, Mr. Minister, arises out of the last paragraph on page 1 where a reference is made to the Commonwealth Caribbean Canadian Conference held in

Ottawa in 1966. In your statement this morning you have given examples of the follow-up of the decisions reached there. Some of us have been wondering why these meetings have not been established on an annual basis rather than on the interdepartmental basis which you mentioned in your comments. It is true there was a trade and economic conference held in St. Lucia in 1967, but since then it seems to some of us that we have indicated rather a loss of interest in this whole subject by not carrying on these conferences on an annual basis. Would you care to comment on whether this would be a better way of cementing Canadian-Caribbean relations than the more or less *ad hoc* development that seems to be indicated in the brief and in your statement?

Hon. Mr. Sharp: It is always a matter of opinion as to how often one ought to hold conferences of this kind. As one who attends perhaps too many, I am inclined to economize on them and you may recall that when I appeared before the General Assembly of the United Nations I said that it seemed to me that we were in danger of dissipating our efforts in too many conferences and not doing enough of the real work. It is possible, of course, to have conferences of a kind in which one concentrates upon particular issues and can avoid the formal speeches, but there is a great tendency at conferences to have formal statements. This is one of the reasons why we have not felt that another general conference was desirable. The interdepartmental committee here not only works by itself in discussing the problems of Canadian-Caribbean questions but it meets with the local high commissioners of the countries to discuss specific issues. We have talked, for instance, about rum and about sugar and we have talked about the Caribbean Regional Development Bank and so on. These are all specific matters that have been dealt with which seems to me on the whole to be the best way of tackling the problems unless one needs to have another general survey of the situation. It could be of course, as you say, that if you do not have frequent conferences there is a decline in enthusiasm or in attention to the questions involved, but I would suggest to you that you can also have a decline in interest simply because you have too many conferences and too great a weight is placed on the secretariat and the ministers who attend.

Senator Grosart: What I had in mind was that certain objectives were mutually agreed

upon in 1966 and we have been rather slow in reaching them, and it seems to me that annual reviews might have been helpful there. Arising out of that no reference is made in the brief or in your remarks to the role of the Export Development Corporation which was established by statute last year. There was specific reference to the Caribbean in relation to the working of that organization. Do you see this really acting as a stimulus to private investment in the Caribbean?

Hon. Mr. Sharp: Yes, I would think it would have some value. I would have thought in the Caribbean, however, that there is considerably greater familiarity with conditions and a much better assessment of risks, and so on, than there are in other parts of the world with which we are associated in development. So I would say that this new approach is a useful supplement, but it is not going to transform the nature of our association of private enterprise with the businessmen of that area.

We do now have extensive investments in the whole of the Caribbean area which have come about naturally as a result of our historical ties, of our long experience in doing business in that area.

Senator Grosart: We have had some difficulty, Mr. Minister, to our surprise, in finding out just how much Canadian investment there is in the Commonwealth Caribbean. Mr. Strong, when he was before us two weeks ago, told us the figures were not available. I notice in the brief that figures are given—starting at the bottom of page 2 with the Jamaica figures—for four of the areas, and they add up to \$355 million. The evidence we have had is that the total is possibly considerably more than that. Mr. Bland, in a paper published in *Foreign Trade*, I think it was, in 1968, said it was over \$500 million. I am wondering if the Department has specific figures indicating the real nature of Canadian private investment in the Caribbean. This seemed to the members of the committee to be very important, and it is rather strange we do not have it. It seems to us to be a natural corollary of our development aid because development aid not linked to private investment can go astray. Could the department provide the committee with the figures?

Hon. Mr. Sharp: Just in very general form. I think it should be realized, Mr. Chairman, that we have difficulty enough in trying to determine the extent of foreign investment in

Canada. We could not depend on Canadian statistics to find out how much investment there is in the Caribbean. We would have to depend on local statistics, which are not as well developed as ours are. However, I understand a figure of something over \$500 million is probably a reasonable one.

Senator Grosart: Though in the brief the figures only add up to \$355, which indicates a wide discrepancy, because it does take in the major areas.

If I may move on to page 5—

The Chairman: Before you do that, Senator Grosart, I would like to ask a supplementary question to yours.

What do you consider, Mr. Minister, to be the mandate of this inter-departmental committee? This is a very important point to us.

Hon. Mr. Sharp: Its main purpose is to implement the 1966 undertakings and agreements as far as Canada is concerned. We felt that we could not depend upon the machinery that existed beforehand, and the inter-departmental committee was established to be sure that all the departments were co-operating in trying to attain the objectives that are set out in the brief at page 2.

The Chairman: You have been kind enough to indicate the personnel involved. Does this committee meet on a regular basis? Is it a formal affair? Are there recommendations?

Hon. Mr. Sharp: It meets to discuss specific questions.

Senator Grosart: If I may move on to page 5, I would like to raise a question that has been discussed over the years in connection with Canadian-Caribbean relations, particularly in the Commonwealth area, that of a closer political relationship. Have we ever taken any initiative in respect of the Caribbean, suggesting a closer political relationship? This has been suggested by at least one premier there publicly, and by others privately. I notice in this connection that there is a slight difference between the wording—which may be significant or interesting—used in the brief and your own statement.

On page 2, point No. 3 of the brief, it speaks of “avoiding the establishment of constitutional links of a quasi-colonial nature”. In your own statement, as you gave it to us, you spoke of encouraging “political consultation with them.” Then, verbally, you spoke only of “encouraging discussions on matters of

common interest.” Are we afraid of a political involvement here? Are we afraid of suggesting that there may be some value in giving consideration to a transference of associate status from Britain to Canada?

Hon. Mr. Sharp: Yes. I would think that we should be very reluctant to put forward any such idea. The Commonwealth-Caribbean countries are trying to establish their full independence, and I would have thought it would not be particularly constructive for us to suggest they should trade the British for us. It might then give substance to the ideas that are sometimes floating about that because we are taking interest in the development of the Caribbean area, or because we are trying to promote trade or for these other reasons, somehow we want to put the Caribbean area into a position of inferiority to us or dependence upon us.

Surely, our objective ought to be to promote the independence of the Caribbean area, its true independence, and to try to support developments that would sustain that independence.

Senator Grosart: That would not necessarily wash out the possibility of a political partnership, something much more real than we have now.

Hon. Mr. Sharp: I would have thought, Mr. Chairman, that any such suggestion should come from the Caribbean and not from us.

Senator Grosart: Would you mind my asking if such a suggestion has ever come from the Caribbean to your knowledge?

Hon. Mr. Sharp: No.

Senator Grosart: It has not?

Hon. Mr. Sharp: No, not from any serious quarter.

Senator Cameron: Mr. Chairman, supplementary to this, it seems to me that some years ago there was a suggestion appearing in the press that some of the Caribbean states might like to have a political association with Canada. Was this just newspaper talk? You have indicated now that there was never any official approach of this kind.

Hon. Mr. Sharp: Never.

Senator Cameron: I would think it would be quite a liability if we were to take on those four million people in any political affiliation with Canada. It would be much better to stay on an independent basis.

Senator Connolly (Ottawa West): Apart from the cost, the economic liability, it seems to me what the Minister says is a factual reflection of the feeling of the people in the areas, that they are striving to establish not only their own independence but they are also trying to get themselves in a position where they are at the so-called take-off point in development. The trading of Canada for Britain would be a change in the present kind of status of dependence which I think for the most part they are seeking to avoid. They will not achieve the take-off point as quickly in some cases as they will in others, but I think generally speaking their thrust is to establish themselves as independent entities.

Hon. Mr. Sharp: In all my contacts with these countries the impression I have had was their desire not only for political independence. They also want the economic development and stability that would enable them to sustain that independence in a meaningful form.

Senator Connolly (Ottawa West): I think it is a question of the African and South East Asian parts of the Commonwealth, too. We as a committee should have that very clearly in our minds when we approach the problems of the Caribbean. We should make the point quite clearly that we have no imperial ambitions there or anywhere else.

Hon. Mr. Sharp: In general, Mr. Chairman, this is a wise observation. I think we should be careful to stress in all our plans for assisting an economic development that it is being provided for the benefit of the recipient country and not in order to establish a dependency of that area upon Canada.

Senator Connolly (Ottawa West): We are indebted to Senator Grosart for raising this question the way he did. This is a direct approach and we have had a direct response from the minister.

According to the material that we have been supplied with, the island that is probably most deprived of all of the islands in the Caribbean is Haiti. It is the poorest, the conditions there are terrible, and it happens to be outside of the Commonwealth. Is there any consideration being given by your staff or the Canadian government generally to appraising conditions there with a view to providing assistance?

Hon. Mr. Sharp: Mr. Chairman, we have been looking at the possibilities of establish-

ing a bilateral Canadian aid program in Haiti. We have not yet reached a final conclusion. Probably the Haitian government would welcome a development of this kind, but we are aware of some administrative and technical difficulties. At the present time, the aid that we are giving to the Haitian people has been directed through non-governmental channels. We have not dealt directly with the government of Haiti, but with non-governmental, charitable, religious or educational organizations.

Senator Connolly (Ottawa West): Is that just in the educational field and that type of thing?

Hon. Mr. Sharp: That sort of thing, yes.

Senator Grosart: Mr. Chairman, this is not the occasion to enter into a discussion of my suggestion about a political partnership. I would like to point out that such comments as "the danger of imperialism," or "switching from the U.K. to Canada in a quasi-colonial context" are not inherent in my suggestion of political partnership.

Senator Connolly (Ottawa West): No, I agree with that.

Senator Grosart: My suggestion was that a political partnership might be greatly to the benefit of those countries. It was only in that aspect that I raised the matter.

Hon. Mr. Sharp: My remarks should not be interpreted as meaning that we do not welcome close political associations with those islands. We do have a special interest there for many reasons, economic, historical, broadly political in the sense that it is a nearby area. I was suggesting that that political association should not be of the kind that had been suggested, whereby we would take over the responsibilities of their government.

Senator Grosart: It is possible to push too hard in the international world; it is also possible to lean backward too far.

On page 9 and in your remarks there is a reference to the transportation study. The problem of a shipping connection between the Caribbean, particularly the Commonwealth Caribbean and Canada has, as you know, been perhaps the major single specific item of discussion for a long period of years. In 1957—when I mention that date you will know that my remark is non-political—we cancelled out and broke our main shipping link, in spite of the fact that that link was

inherent in what amounts to a treaty under an act of the Canadian Parliament. Can you tell us anything about the direction of this transportation study? You say it has been with the Caribbean governments for a year and we have not had an affirmative response. What is the trouble? What is the hold up?

Hon. Mr. Sharp: I have not seen the transportation study, but I am informed that it is being studied by various of the governments, their secretariats and civil servants. We have not had any comments of substance. Why, I am not sure. Maybe there is something in the report that causes them concern and they are rather reluctant to express a view. I cannot answer the question further, Mr. Chairman.

The Chairman: Mr. Minister, this is not a public document at this time?

Hon. Mr. Sharp: No.

Senator Grosart: I presume it will not be made public until you have the necessary response?

Hon. Mr. Sharp: That is right.

Senator Grosart: At the bottom of page 9 there is reference to an agreement in respect of air transportation which makes provision for the participation of Canadian capital and air management in air space facilities. This raises the question of whether as a government we are doing anything to actively promote the investment of Canadian capital in the Caribbean. Apparently in this instance we have done something. I do not know what it is, but we have found some Canadian capital for this worthwhile project. Is this a policy? Are we really going out and looking over Canadian industry and suggesting areas of follow-up of our development aid? Are we trying to link the two together, or are they going their separate ways?

Hon. Mr. Sharp: Mr. Chairman, the attention that is directed from time to time to the Caribbean is probably the best way of encouraging investment there. The activities of this committee, for example, in studying relations between Canada and the Caribbean stimulate the interest of Canadian businessmen in the area. The conference we held in 1966, the follow-up by way of promoting the establishment of air links, the contacts with the liquor industry over rum, the negotiations we had from time to time about sugar, the promotion of tourism through the air lines particularly, all help to create the atmosphere

in which Canadians are willing to make investments down there.

The impression I get when visiting there is not how little Canadian capital there is, but what a large part Canadian capital plays in the development of the islands. In Barbados one finds the number of homes owned by Canadians; one goes to Jamaica and sees the big investments there, and so on. I would have thought that we probably invest more freely in the Caribbean than in any other place in the world except the United States.

Senator Grosart: Except that from the brief here and other evidence the impression I have is that this is mostly "take-out" rather than "put-in" investment. By that I mean it is in hotels, banks and trust companies, whereby we are going to take out money and eventually create a balance of payments problem if we keep it up. There is very little evidence of any investment in up-grading manufacturing capability there. Perhaps along that line I might ask whether we are considering non-reciprocal trade concessions in the manufacturing area.

Hon. Mr. Sharp: Yes. Not specifically the Caribbean area, of course, but to all the developing countries of the world. You may have noticed the President of the Treasury Board the other day presented in the Commons the Canadian proposal to reduce tariffs in favour of the developing countries. We have made a very substantial offer, which would of course apply here. The Caribbean area does enjoy Commonwealth preference, of course, which is in itself an advantage.

Senator Grosart: Yes, but it is a very limited advantage.

Hon. Mr. Sharp: Yes. The broader scheme that has been put forward by the Government to the world as a whole of what we are prepared to do by way of reducing tariffs in favour of developing countries, including the Caribbean, is much more important. Indeed, it is quite a revolutionary proposal.

Senator Grosart: You referred to the study being made by the Private Planning Association into the possibility of a free trade area. What would the establishment of a free trade area with the Commonwealth Caribbean entail?

Hon. Mr. Sharp: If it were a comprehensive one and covered all products it would mean that there would be free trade between Canada and the participating islands. There

would, of course, then be differential tariffs relating to the rest of the world. We would not attempt in such a proposal to have a customs union; we would not attempt to have the same tariff against the rest of the world. Each island would, presumably, be free to have its own tariff in relation to other countries, but in relation to Canada there would be no tariffs. Similarly, we would have our own tariff in relation to the rest of the world. We would not necessarily have the same tariff in relation to the rest of the world as any of the islands of the Caribbean. It would be similar, I should have thought, to, say, the European Free Trade area, depending of course on how far we wanted to go. As I recollect, the European Free Trade Area deals only with industrial goods; it does not deal with agriculture. You would have the choice of how extensive you wanted the coverage to be.

The Chairman: I understand that the report prepared by the Private Planning Association is still under study by the department.

Hon. Mr. Sharp: Yes.

The Chairman: I think this might be a proper time for me to put the case to you that this document would be of material assistance to this committee. It goes right to the heart and root of the matters we are discussing. Is it your intention that this should be a public document?

Hon. Mr. Sharp: I think it would be difficult to retain it.

The Chairman: Retain it where?

Senator Grosart: To hide it.

Hon. Mr. Sharp: Yes, to hide it.

The Chairman: This is something we would like to see as soon as possible.

Senator Grosart: We do not want another hidden report.

Hon. Mr. Sharp: No.

The Chairman: Senator Grosart, I understand you have a number of other questions.

Senator Grosart: I have some other questions, but I will pass now.

Senator Carter: Mr. Minister, if I understood you correctly, at present the policy of our Government towards the Caribbean countries is to assist them all we can in their efforts to become politically independent, and

in their efforts to develop their economy to the point where they can maintain their political independence. Is that correct?

Hon. Mr. Sharp: That is generally right, yes.

Senator Carter: Then I would like to ask two further questions. The first is an elaboration of one asked earlier by Senator Grosart. In your report you mentioned several steps we have taken to encourage the development of their economy. For example, you mentioned the Regional Development Bank, the Regional Development Agency, the new export development corporation. Have you given any thought to developing a corporation of the type outlined by Professor Doxey when he was here?

The Chairman: Perhaps, Senator, I could ask you to describe that in some detail. Maybe the Minister has not been informed of this.

Senator Carter: What Professor Doxey had in mind was:

...a corporation on the lines of the British Commonwealth Development Corporation which is supported by public funds and which then will enter into association with the private sector in the Caribbean and in other developing countries to assist the private sector to develop projects of their own.

He went on to say:

This has the advantage, not simply of providing capital to the people, but also in supplying them with the entrepreneurial expertise which they may not have.

He added:

...this type of organization can play a unique role in addition to our normal aid programs and the Caribbean Development Bank. It also ensures that we are freed of political accusations.

Hon. Mr. Sharp: I do not know whether that last sentence follows from your description. However, in at least my recollection we have not specifically looked at that particular proposal, but it is one that might be worth looking at. That is the only comment I can make. I have not really examined this proposition in any detail at any time. I know that the British scheme had its disadvantages as well as its advantages, and it was not always free from the charge that it was part of a sort of colonial policy. This proposal that Profes-

sor Doxey has made is worth examination. Possibly the committee might call some witnesses and have this examined, but it had better give them a little time to consider the implications.

Senator Carter: That brings me back to an earlier question when I think Mr. Chairman asked about the interdepartmental committee. Has your interdepartmental committee followed the sittings of this committee and the evidence given by its witnesses? If the interdepartmental committee members did they would have known about this and probably would have given some thought to it. Do you know whether they have given any consideration to this?

Hon. Mr. Sharp: I am informed that members of the committee have been following this committee, obviously because this is a very important public hearing on questions of Caribbean development, but I have not had any views from any of my staff about this particular proposal.

Senator Grosart: It might be interesting to point out that Professor Doxey's proposal was made before the Institution of the Canadian Development Corporation.

The Chairman: I would also point out, Mr. Minister, that the Commonwealth Corporation, the British equivalent, in fact, is increasing its investments in the Caribbean and has been a very successful vehicle.

Senator Carter: As we anticipate the economic development of the Caribbean area there are two unknown factors which are very difficult to assess at this time. One is the presence of Cuba, which has been referred to as a sleeping giant with development having a tremendous economic influence in that area. The other factor is the possible admission of the United Kingdom to the Common Market, which would seriously affect their quotas of sugar on which their economies depend.

Are we doing anything to anticipate these events? Are we giving any thought to these developments or possible developments, or are we just thinking of the present arrangements as being adequate? If not, what are the other possible ways in which Canada may help these countries through their transition away from their dependence on sugar exports.

Hon. Mr. Sharp: I am sorry, would you repeat your question about Cuba? You raised two questions.

Senator Carter: Yes. I referred to two unknown factors as we anticipate the economic development of this area. There are two unknown factors which could possibly have great influence on it. One is the economic development of Cuba itself, and the other is the entry of Britain into the European Common Market, which would drastically affect their sugar exports.

Hon. Mr. Sharp: We have all been speculating about the future of Cuba, which is important not only in the area in which that island is located, but generally, of course, for the Americas. I have not seen anything yet to suggest that the changes are such as to revolutionize the outlook for the area, nor to suggest that Cuba is going to become a vast market for the goods of the other islands, which would be presumably one way it would affect them or that they are likely to become such an important competitor as to destroy the markets of the other Caribbean islands. I personally feel that all parts of that area have an equal chance of developing, and I do not think that Cuba is likely to develop more rapidly than any of the other islands, particularly of the Commonwealth Caribbean. It is, of course, one of the most populous and for that reason it has a greater effect. I do not see any reason to think, however, that there is going to be any revolution in the area arising out of the rapid economic development of Cuba. I think that Jamaica, Trinidad and the Dominican Republic, for example, have just as good opportunities for development as Cuba.

Senator Carter: Would you say that that would be true in view of the fact that Cuba's population is much larger and that it can dump \$10 million of sugar on the market almost any time it wants to.

Hon. Mr. Sharp: Cuba has always been in the position of dominating the sugar market and will always dominate it. The sugar market is very depressed because there is a surplus of sugar in the world, but that is nothing new; it has not arisen out of the Cuban revolution.

Senator Carter: In my opinion, Cuba has a greater potential than the others, because of its manpower and resources. If they succeed in developing those resources, surely that would have an impact upon the development of the other parts of the region.

Hon. Mr. Sharp: I would have thought all of those islands have that potentiality. They

are different from Cuba's and not as big, but I do not think that Cuban standard of living is rising any more rapidly than the standard of living in some other islands, if as rapidly.

Senator Connolly (Ottawa West): Does the existence of the new sugar agreement help solve the problem Senator Carter raises? On this question I would quote Premier Barrow of Trinidad and Tobago:

It is nonsense to talk of a federation of the Caribbean area when you have a sleeping giant there which, from one day to the next, may be dumping \$10 million of sugar on the world market....

Now, this is probably a threat which Senator Carter has pointed out in regard to some of the Caribbean islands which find they are undersold on the world market by Cuba. Has the sugar agreement helped them substantially to avoid that kind of a threat?

Hon. Mr. Sharp: The first point I would like to make is to repeat what I said earlier as to why this has always been so about Cuba. It has always dominated the sugar market, and I do not know if the situation has changed very much. There is now, as there was a few years ago, a very large surplus of sugar. Therefore, Cuba has always been in a position to undercut other sellers, because it is one of the most efficient producers of sugar. I do not think the Cuban revolution changed that very much.

If I might go on to talk about the sugar agreement, certainly the countries of the Caribbean area place a great deal of importance upon the international sugar agreement. You may recall that they attached so much importance to it that we undertook to do everything possible to support the conclusion of a sugar agreement, and indeed we had certain undertakings in reserve in case that international sugar agreement could not be achieved. Fortunately, an agreement was achieved which helped to stabilize the international sugar market, but no one would argue that that solves all the sugar problems. I am quite sure they are much more fundamental than that.

Senator Choquette: Would the existence of the agreement have an impact on the price of sugar to the Canadian consumer?

Hon. Mr. Sharp: Mr. Chairman, my view—and I think I have expressed it publicly on a number of occasions—is that consumers in Canada and other developed countries are quite willing to pay reasonable prices for sugar and that the problem in this product, as

in so many others, of reaching and maintaining reasonable prices lies with the producing countries rather than with the consuming countries. If I may put it quite bluntly, all international commodity arrangements are in effect sanctified cartels, and they are as effective as the cartel is effective. They are internationally blessed cartels.

Senator Grosart: As with wheat?

Senator Choquette: On that, I would like to ask a question. I remember that, some years ago, the Honourable C. D. Howe, having gone to these islands, came back to Canada and said we should purchase rum from Haiti, Barbados, Jamaica and so on. We know that an individual or a company cannot purchase or import that commodity to this country. It is bought through the liquor commissions of every province. I am wondering if there is any trade agreement whereby we could encourage the purchase of such a commodity by the different provincial liquor commissions or liquor boards.

Senator Grosart: Mr. Minister, I might point out that there is a reference to this at the bottom of page 8, which may be helpful to you. It says that Canadian Government undertook to use its good offices, but the efforts have proven inconclusive.

Hon. Mr. Sharp: We do from time to time, in the interests of promoting trade with various parts of the world, encourage liquor boards to follow as open a policy as possible; but of course the liquor boards are their own masters, they do not necessarily follow the advice of the federal Government. Liquor is one of the most important sources of revenue to provincial governments, so we can only make suggestions to them. Sometimes they are more amenable than they are at other times. So far, as you can see from this comment, our results have not been too good.

The Chairman: I would like to come back to Senator Carter, if I might, Mr. Minister, and I would like to come back to Cuba. One of our previous witnesses suggested that Canada could somehow act as a catalyst in the normalization of relations between Cuba and its neighbours that we have been talking about.

This is a political question for you. Have you any comment to make on it?

Hon. Mr. Sharp: In a sense, I suppose that the very fact that we maintain diplomatic relations with Cuba does provide a channel of communications. We do not attempt to act as a catalyst in this way but I am sure the fact that we have a means of communicating with the Cuban government enables us to pass along messages which other people are not in a position to do. I think that is about all I can say about the question, Mr. Chairman.

Senator Grosart: It may be we act as an uncatalyst.

Senator Carter: The other part of my question was about entry of the United Kingdom. I do not think you dealt with that.

Hon. Mr. Sharp: The entry of the United Kingdom into the common market would have repercussions in many parts of the world. It would have a somewhat limited effect upon us. It would have more upon Australia and New Zealand. It would have some effect, unquestionably, upon the islands of the Caribbean.

In so far as they remained as colonial dependencies, of course, there would be some special relationship, I should imagine, with the common market. In so far as they are independent, I am not absolutely sure as to what attitude the common market would take. You may recall that the former French colonies of Africa have a special relationship with the common market, because of the fact that they were colonies of France. I am not certain whether there could be some form of association for the Commonwealth Caribbean.

Senator Carter: Those are things that might be considered by your interdepartmental committee.

Hon. Mr. Sharp: We are looking at all the implications of Britain's entry into the common market—not only the implications upon our own trade, but the implications on other countries with which we trade, and the countries with which we have special relations, such as the Commonwealth Caribbean.

Senator Carter: Thank you.

Senator Grosart: I raised the question of associate status and on that point it is rather interesting that the associated territories of France are permitted to retain against EEC countries tariffs and quantitative restrictions in the interests of their own economic development. So it is quite possible that if there is

associate status, this proposed kind of associate status with the United Kingdom, that under EEC as presently constituted they would be permitted to retain the status.

Hon. Mr. Sharp: They could be.

Senator Laird: Following up that question, Mr. Minister, about the United Kingdom, is it fair to ask what the official attitude of the United Kingdom Government is on our further involvement in the Caribbean, both politically and economically? Is there any resentment or is there encouragement?

Hon. Mr. Sharp: I would think, on the whole, encouragement.

Senator Laird: I have one other question. The evidence before us has made plain the singular lack of enthusiasm down there in the Caribbean for the tourist industry. In view of the fact that Canada, as a donor country, spends a great deal of money attracting tourists to its own territory, do you think that is a reasonable attitude on the part of those Caribbean countries?

Hon. Mr. Sharp: I do not know whether it is fair to say that there is a lack of enthusiasm for tourism. Certainly there has been enormous expansion in tourism. The figures on the numbers that are visiting some of these areas are given in this paper. When I have been there, either on holiday or otherwise, I have always talked to the governments about this and I did not see any lack of enthusiasm. What I did see was a reluctance on the part of some of these governments, which one can understand, to assume that tourism is the answer to their problems, the complete answer. They feel that their development ought to be more balanced.

Senator Laird: Thank you.

Senator Cameron: Mr. Chairman, as Canada imports a tremendous amount of citrus fruits and thereby incurs a foreign exchange deficit, I have wondered if any really organized steps have been taken to develop, first, the production program of citrus fruits in that area or if any assistance has been given towards its development on a systematic basis.

Secondly, have any steps been taken to develop a marketing organization that would guarantee not only a quality of product but a continuity of supply for this country? I ask this because it would seem to me that this is one of the ways in which they could diversify

their economy and strengthen their economy and, at the same time, it would be a good thing for us.

Hon. Mr. Sharp: Well, there have been some suggestions, I think probably before this committee, for the organization of a West Indies marketing organization. It is an interesting idea. It is one that I think the Caribbean Islands ought to be encouraged to follow up. One of the problems that have emerged, and I can recall this when I was Minister of Trade and Commerce, is the importance of ensuring continuity of supply. Merchants are very reluctant to buy products like citrus fruits from areas that are uncertain suppliers. They might be left high and dry and meanwhile they have broken their connections with more regular producers. So this is the direction it would seem to me that any such organization should be encouraged to follow.

I doubt very much whether we would want to sponsor such an agency, because we would be charged immediately with discrimination against other regular sources of supply. But I think from the point of view of the West Indies themselves, they should be encouraged to undertake the organization of an agency of this kind.

Senator Cameron: A year ago last January I spent some time there meeting boards of trade and chambers of commerce and so on, and I detected a sort of defeatist attitude there, in this area, to the effect that, "Well, we can't compete with your current suppliers". Certainly, if that attitude is an accurate one, they will never get off the ground. It seems to me that is an area for diversification there, but there is nothing formal at this time to encourage that, is there?

Hon. Mr. Sharp: No. I share your view that often suppliers are discouraged by the competitiveness of the Canadian market. We have many sources of supply, and those that get well established and can service their customers have an enormous advantage. But, if you look at what has been happening in recent years in trade you can see also that the pattern can be broken. Perhaps the best example, which is in a rather different field but which is an obvious one, is the inroads that the Japanese have made into the Canadian market by careful attention to continuity of supply and quality and so on. They have converted themselves from having a reputation, as they once had, for producing cheap merchandise into being a producer of among

the best quality merchandise in the world, available at competitive prices.

As a matter of fact, I heard a remark one day which I thought had some validity; namely, that the developing countries in the world would do well to take Japan as an example rather than America, Canada or Europe.

The Chairman: We put this question to Mr. Maurice Strong when he appeared on behalf of CIDA, Mr. Minister, and the suggestion was that one of the Canadian assets we have that is really exportable is marketing expertise. I am interested in your reply, because you indicate that we might be challenged. It seems to me that through the vehicle of CIDA and through the placing of marketing teams and marketing expertise in the Caribbean we might be rendering a very useful service on the aid program. Do you have a comment on that?

Hon. Mr. Sharp: Yes. Similar ideas have been put forth from time to time, and I think they have some merit. What I was directing my attention to was the idea of Canadian sponsorship of such an agency. To provide some technical assistance is quite a different question. If the West Indies said they would like to get a marketing agency organized and asked us for technical assistance, I do not see why that would not be a valid enough request, but for Canada to sponsor a particular area as a supplier of the Canadian market would be, it seem to me, to lay ourselves open to charges of discrimination.

Senator Cameron: Yes, I think that is a fair comment.

On another point, Mr. Minister, about 8,500 people have been immigrating to Canada from the West Indies annually, lately, and a large number of these people have some technical qualifications. I am wondering if this number of people coming into Canada is likely to create any problems with respect to their assimilation or their location. I understand that most of them are in Montreal and Toronto, but is there any dispersal beyond those two points in substantial numbers? Secondly, what is happening with respect to their assimilation in the community? Are they going to stay; are they creating any problems, and are they happy with the situation?

Hon. Mr. Sharp: Well, I do not know whether this is a question to be directed to the External Affairs Minister; however, I will venture an amateur opinion.

The Chairman: Do you want a ruling, Mr. Minister?

Hon. Mr. Sharp: I have not discerned any particular problem in Canada arising out of the immigration of these people. It seems to me that they are being accepted in Canada and have a very good reputation. The reason they probably are going to the big cities is that they are professionally qualified and they find their greatest opportunities there. Moreover, those cities are so large that 8,500 people, even if they were all absorbed into those cities, would make very little impact so far as creating any block of people which would lead to resentment or anything of that kind.

So I do not think that there is any imminent problem at all. As a matter of fact, so far as I can see, there has been a very high degree of acceptability.

Senator Cameron: Are there pressures to have the numbers increased? It seems to me I have read lately that the Caribbean people would like to see larger numbers come in, but not necessarily larger numbers of trained people.

Hon. Mr. Sharp: Yes, the brain-drain problem is a common one not only to the Caribbean but to other developing countries. Just a few weeks ago I chaired the Colombo Plan Conference in Victoria, and this was one of the specific items we spent a day or so discussing there. From the countries of the Colombo Plan area, for example, we are net receivers of brains rather than suppliers, and that is probably true of the Caribbean area, too. There is very little that can be done about it, because, if you respond by imposing more restrictions, you are charged with discrimination and increasing the problems of the islands themselves; on the other hand, if you encourage them, then you are accused of drawing off their best people.

So our attitude has been not to encourage the immigration of these people, but to establish the facilities for those who want to come. It seems to us that this is the correct posture for Canada to assume.

Senator Cameron: Thank you.

Senator Phillips (Rigaud): I have two questions, Mr. Chairman. My first question relates itself to page 10 of the brief and to the observation that double taxation treaties are being deferred in terms of consideration until the

Government has completed its consideration of the Carter Report.

I am assuming that the White Paper is resultant from the consideration of the Carter Report, and my question is, now that the White Paper has been tabled, whether negotiations will be initiated or continued, if they have been negotiated with respect to double taxation agreements, or, alternatively, whether they will be suspended or not initiated until implementing legislation comes through on the White Paper.

Hon. Mr. Sharp: The answer must be that the government would not want to complete the negotiations until Parliament had enacted the legislation following on the White Paper but I should think that some useful work can perhaps be undertaken in advance so that there would be a minimum of delay once Parliament had approved the tax changes.

Senator Phillips (Rigaud): Thank you. My next question is not dealt with in the departmental summary and I am not too sure that it is a proper question to put to you. In consideration of continental defence and more particularly Canadian defence and in discussing the subject matter with, for example, our neighbour to the south, are we in communication directly or indirectly with Caribbean countries in terms of that area being taken into consideration in finalizing and looking at what is obviously a most important facet of the subject matter?

Hon. Mr. Sharp: Naturally in looking at our total defence problems we have to look at the Caribbean area. I do not know of any formal undertakings. We are not in any alliance with any of these countries and we do not have defence arrangements with them, but we do have to look at that area as part of continental defence.

Senator Phillips (Rigaud): You would not like to go any further with that, Mr. Minister?

Hon. Mr. Sharp: No, I think not.

Senator Gouin: Mr. Chairman, there was some reference to associated states. Do I understand that some of the British West Indies have become associated with Great Britain and I would be glad if the Minister could give to us an idea of the status in such a case. Would we deal with Great Britain directly or what would be the situation?

Hon. Mr. Sharp: At the present time some of the islands are completely independent, for example Jamaica, Trinidad, the Barbados and Guyana. These are obvious cases. Then you have a group of countries that are moving towards independence but are still associated with Britain and where their defence and their external policy is still controlled by the United Kingdom. In those cases we deal through the British Government. With the other governments we deal directly through our own representatives and our high commissioners. These countries are completely free to make their own decisions and therefore we do not deal through the British Government.

The Chairman: Any other questions?

Senator Carter: Last year, Mr. Minister, there were certain incidents at Sir George Williams University which seem to have brought to the surface some undercurrents of anti-Canadian feelings and that generated anti-Canadian feelings in the West Indies and this was manifested during the visit by the Governor General to that area. Can you tell the committee whether the government is satisfied that public opinion in the Caribbean has now been exposed to a full and accurate account of these incidents, and has the government taken any steps itself to provide information and what is the overall situation at the present time?

Hon. Mr. Sharp: Mr. Chairman, this question was of very considerable concern to me. At the time of the Sir George Williams incident I received delegations of students and professors and I spent some time with them because I realized that this incident might have detrimental effects on relations between Canada and the West Indies. Therefore, even though it was in a sense an internal problem I felt it had certain external aspects and I therefore spent some time in talking to the students and professors who had been involved and who came from the West Indies. I also had occasion to talk to the high commissioners from the countries concerned about the question. The government itself has also taken steps to provide balanced information to the people of the area and our posts have been supplied with information about the progress of the trial and with Press and periodical comment about the affair. Interested bodies in Canada such as the Students Association of Sir George Williams University have also been encouraged to send material setting out their views on the situation. In

most areas this material has been published by the Press and my impression is that while there is still some controversy it is now much more rational and less inflamed by emotion than formerly and the incident is now being seen in a better perspective. I doubt that it had any effect on Canada's official relations with the Caribbean countries but it is also fair to say that at the time our image suffered a bit largely, I think, because of misrepresentation. But now the situation is greatly improved. I do not think there is any lasting effect on Canadian public opinion towards the Caribbean. I have had occasional letters from people largely directed to the question of whether we were providing bursaries and scholarships for those who were involved in the incident. As it happens very few such students were involved. My general conclusion is that while the incident did not have a good effect, naturally enough, on relations between Canada and the West Indies, it is not likely to cause any permanent damage.

Senator Carter: There was no carry-over and no detrimental effect on Canadian businessmen operating there?

Hon. Mr. Sharp: I detected none whatever.

The Chairman: Before I come back to Senator Grosart, perhaps the chair will be forgiven for asking another question which is rather a sensitive one relating to the closing of the mission in the Dominican Republic. I am sure this was a difficult decision for your department to make. On the other hand, we have had a series of questions relating to Government co-operation and support of Canadian industry and incentives to Canadian industry in the area.

It is well known now that Falconbridge is about to make a sizable investment in the Dominican Republic, the telephone company is a well-known company, controlled, I believe, from Montreal, and the Canadian life insurance people are active down there on a very large scale. I understand there is an austerity program and that priorities must be established, but I must confess that to me this was an astonishing decision.

Hon. Mr. Sharp: One general comment, to begin with, Mr. Chairman, and that is that the reaction to the Government's decision to close seven missions is perhaps the best answer to a lot of the propaganda that has been going around about the uselessness of ambassadors. The reaction has been an astonishing revelation of how much importance is

attached to the maintenance of diplomatic relations and the presence in the countries of diplomatic personnel. To judge from the current issue of *Maclean's* one would think that ambassadors had outlived their usefulness. All I can say is that that article should have been written after we attempted to close seven posts, because in every case there have been the strongest possible protests about the effect this is going to have on relations between Canada and these countries.

As you have intimated, Mr. Chairman, we closed these missions for purposes of economy only. There was no implication we attached less importance to those relationships than we had in the past, but if we were going to keep within our budget next year we had to make cuts, and it was very difficult to make the selection.

What we did was to cut out missions where we did not have an ambassador in residence. We did not have an ambassador in residence in Santo Domingo, nor in Quito, nor in Montevideo, nor in Phnom Penh, nor in Nientiane, nor in Berlin, nor in Nicosia although we had a Commissioner in Nicosia.

We will continue, of course, to service Canadian interests in the Dominican Republic. An ambassador who had been travelling occasionally into the Dominican Republic will now travel there more frequently. Since we will not have a resident chargé, the ambassador will have to go more frequently.

The reason for closing some missions rather than withdrawing personnel generally is that if you are going to effect substantial economies you have not only to reduce the salary costs but also the allowances, rents and all those other things that go along with the missions.

Personally, as the Secretary of State for External Affairs, I would have preferred not to close any missions, and I only hope that I never had to go through that process again; it is very painful. However, if we are going to be serious about curtailing Government expenditures, then I think the Department of External Affairs has to play its part. I do not think it would have been possible to have maintained the overall program unless every department had taken its share. I argued otherwise, but I failed to make my point, and I think perhaps it was right that my Department should have made its cuts too.

Senator Grosart: What was the total saving in the closing of these seven stations, Mr. Minister?

Hon. Mr. Sharp: As I recall it, the total amount of savings we had to achieve overall, including the closing of missions, the withdrawing of personnel from other missions,—because we are withdrawing them from many of our larger missions too—the cutting of our capital program and so on—I think the dimensions were about \$7½ million. This was the amount of increase in cost that could not be absorbed in the budget.

Senator Grosart: Two final questions, if I may, Mr. Minister.

With regard to the program of bringing seasonal workers into Canada from various parts of the Commonwealth Caribbean, there was an undertaking in 1966 at the Conference to broaden this. I believe on page 10 there is an indication it has been extended to include Barbados, Trinidad and Tobago as well as Jamaica. Why has it not been extended to the other islands which seem to be much more likely beneficiaries of seasonal labour? Is there any reason why this has not been extended?

Hon. Mr. Sharp: I am informed that the reason is an administrative one. Where you have independent governments, then you can negotiate with them and they have the means of implementing these policies, but with the dependent territories, so far we have not been successful.

Senator Grosart: It does not sound like a very good argument because the associated states are, to all intents and purposes, completely independent in such matters.

The Chairman: The new secretariat might be of some assistance in this.

Senator Grosart: I think all the independent Commonwealth nations in the Caribbean are now members of OAS. What is the present status of our thinking about membership in OAS?

Hon. Mr. Sharp: Inconclusive.

Senator Grosart: That is my last question, Mr. Chairman. It may be a classic case of: Ask a damn fool question and you get a damn fool answer.

Hon. Mr. Sharp: Both the question and the answer were precise.

The Chairman: That is a subjective comment.

Hon. Mr. Sharp: May I make one slight correction, Mr. Chairman? There is one member that is an independent country which is not yet in the OAS, and that is Guyana.

Senator Grosart: It is my pleasant duty now, Mr. Minister, to thank you for coming here today and being with us when you are so very busy. We are not surprised at your ability to answer detailed questions even in this small area of your global responsibilities, but we are delighted you have been able to give us such interesting and informative

answers, and I am sure they will be very helpful to the committee in making its report.

Hon. Senators: Hear, hear.

Senator Grosart: I am sure those of us who have a feeling that the Commonwealth Caribbean should be regarded as a very, very special area of Canadian interest are pleased that your remarks today have indicated that this is also a viewpoint of the Department of External Affairs.

Thank you very much for being with us.

The committee adjourned.

APPENDIX "B"

REPORT ON CANADA'S RELATIONS WITH
THE COUNTRIES OF THE CARIBBEAN
REGION FOR THE STANDING
COMMITTEE OF THE SENATE ON
FOREIGN AFFAIRS

Introduction

Because of tradition and cultural affinity the term "the Caribbean" is frequently interpreted in Canada as synonymous with the West Indies. However, the Caribbean Sea lends its name to a considerable land area in, and adjacent to its waters. Caribbean America, according to most authorities on the subject, includes Mexico, Central America and the West Indies. Beyond this generally accepted definition of the area, the South American Republics of Colombia and Venezuela may also logically be included. Certainly these two countries touch upon the shores of the Caribbean for considerable distances, but at the same time they are integral parts of South America whereas the other units of Caribbean America are not. In addition to the West Indies, therefore, the following Latin American countries will be considered as falling within the scope of this paper: Mexico, Honduras, Nicaragua, Costa Rica, Panama, Cuba, Haiti, Dominican Republic, Colombia and Venezuela.

COMMONWEALTH CARIBBEAN—CANADA
RELATIONS

The present close relationship between Canada and the Commonwealth Caribbean has resulted as a logical progression from the historical ties existing between the two areas. In the past Canada's relationship with the West Indies—the so-called Commonwealth Caribbean—has been closer than with any other part of the developing world. Trading relations over several centuries have been close, and have been supplemented by considerable Canadian commercial interests and investment in the area. Our common association in the Commonwealth has also contributed to understanding through mutually shared traditions, institutions and values. These factors have all contributed to increased communication between the two areas. In the past few years this communication has been

emphasized through the large movement of people between the West Indies and Canada as tourists, businessmen and students.

The current phase of Canadian relations with the area dates from the Commonwealth Caribbean/Canada Conference held in Ottawa in July 1966. In these relations, the basic objectives of Canadian policy towards the Commonwealth Caribbean are:

(1) To demonstrate the sympathetic interest of the Canadian government in strengthening its contacts with the Commonwealth Caribbean countries;

(2) To foster the further development of economic links and to promote co-operation in harmonizing economic development and investment plans and projects;

(3) To develop political consultation while respecting the integrity of the Commonwealth Caribbean countries both collectively and individually and avoiding the establishment of constitutional links of a quasi-colonial nature;

(4) To encourage movements towards economic and political integration in the Commonwealth Caribbean.

The principal factors in our bilateral relationships with the various countries in the Commonwealth Caribbean are summarized in the following sections.

JAMAICA

Area: 4411 square miles
Population: 1,893,000 (estimated 1967)
Capital: Kingston
Currency: Jamaican pound (£J)
Language: English

The general relationship outlined above points to the importance of economic matters and this is reflected in Canada's bilateral relations with Jamaica. Jamaica is Canada's largest market in the Caribbean and overall

trade is nearly in balance—in 1968 Canadian exports totalled \$34.3 million and imports reached \$33.9 million. At present Canadian investment in Jamaica is over \$325 million, the highest amount in the Caribbean area. The major undertakings are Alcan Jamaica (over \$200 million), banks, real estate and life insurance companies. Canadian interest in Jamaica is also reflected in our development assistance programme and in the 1969/70 fiscal year 5.25 million dollars was allocated to Jamaica under this programme.

The resident Canadian community in Jamaica now totals over 1,600 people. In addition over 25,000 Canadians visited Jamaica as tourists or in some other temporary capacity during 1968. The annual flow of Canadian tourists makes a significant contribution to the Jamaican economy. However, this traffic extends in both directions as approximately 7500 Jamaicans now visit Canada annually. Immigration is also a factor in the developing relationship between Canada and Jamaica and in 1968 nearly 3,000 Jamaicans immigrated to Canada. In addition to regular immigration, 700 seasonal workers came to Canada last summer for periods ranging from six weeks to four months. There is a resident Canadian High Commissioner in Kingston.

TRINIDAD AND TOBAGO

Area: 1980 square miles
Population: 1,000,000 (estimated 1968)
Capital: Port of Spain
Currency: Trinidad and Tobago dollar
Language: English

Economic interests also play an important role in Canada's bilateral relations with Trinidad and Tobago. Canadian investment is estimated at \$20 million with the major undertakings in the fields of banking, insurance, manufacturing facilities and hotels. In 1968 the balance of trade was favourable to Trinidad as Canadian exports amounted to \$16.2 million while imports from Trinidad and Tobago reached \$19.7 million. In the 1969/70 fiscal year \$5.25 million was allocated to Trinidad and Tobago under the economic development programme.

At present there are approximately 500 resident Canadians in Trinidad and Tobago. In addition, nearly 5,000 Canadians visited the country in 1968, mainly as tourists. The flow of Canadian visitors is almost matched by an equal number of Trinidadians visiting Canada each year. During 1968 the number of immigrants to Canada from Trinidad and Tobago exceeded 2,400 and a number of Trinidadians

came to Canada under the seasonal workers programme. There is a resident Canadian High Commissioner in Port of Spain.

GUYANA

Area: 83,000 square miles
Population: 675,000 (estimated 1966)
Capital: Georgetown
Currency: Guyana dollar
Language: English

Canadian investment in Guyana is a significant feature in relations between Canada and Guyana. At present over \$130 million has been invested in Guyana, the major Canadian undertaking being the Demerara Bauxite Company (over \$100 million) a subsidiary of Alcan. In terms of trade Canadian exports to Guyana have increased in recent years, amounting to \$9.2 million in 1968. However, the trade balance is still heavily in Guyana's favour as imports from Guyana totalled \$29.4 million last year. Under the Canadian development assistance programme, which has Guyana as well as the rest of the West Indies as a major area of concentration, \$4.5 million was allocated to Guyana in the 1969/70 fiscal year. There are approximately 450 Canadians resident in Guyana. Although no statistics are available a number of Canadians visit Guyana annually and the number of Guyanese visitors to Canada is increasing. In 1968 the number of immigrants from Guyana rose to 823. Guyana does not participate in the seasonal workers programme. There is a resident Canadian High Commissioner in Georgetown.

BARBADOS

Area: 166 square miles
Population: 250,000 (estimated 1967)
Capital: Bridgetown
Currency: East Caribbean dollar
Language: English

As in the other independent countries in the West Indies, Canada's relations with Barbados are oriented towards the economic and commercial sphere. Total Canadian investment reached \$4 million in 1968 with the major areas of investment being hotels, real estate and some small manufacturing. Last year the balance of trade was favourable to Canada with exports reaching \$10.1 million while imports amounted only to \$1.5 million.

The large number of Canadian visitors to the country—approximately 20,000 in 1968—is a major factor in Canada/Barbados relations and this influx of Canadian visitors makes an important contribution to the Barbados econ-

omy. There are approximately 3,000 Barbadians who visit Canada each year. At present there are over 250 Canadians resident in Barbados. In 1968 there were over 800 immigrants to Canada from Barbados and Barbados also participated in the seasonal workers programme.

Up to 1968/69 Barbados received a share of the development assistance allocation for the whole Eastern Caribbean region which included Barbados and the Windward and Leeward Islands. However, in 1969/70 a separate allocation of \$1.5 million was established for Barbados. The Canadian High Commissioner in Port of Spain is also accredited to Barbados.

WINDWARD AND LEEWARD ISLANDS AND BRITISH HONDURAS

(See Appendix A for statistical information)

Canada's relations with the Windward and Leeward Islands (also known as the Little Seven—Antigua, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia and St. Vincent) and British Honduras are also concentrated in the economic sphere. Canadian investment in the area is now over \$6 million with significant interests in banking, real estate and hotels. As in Barbados the balance of trade in 1968 was in Canada's favour with exports to the area valued at \$8.5 million and imports reaching nearly \$2 million. Canada has allocated \$6.0 million in economic assistance in 1969/70 to the Windward and Leeward Islands plus a separate allocation of \$0.5 million to British Honduras.

There are approximately 300 resident Canadians in the Little Seven. As in the other areas of the West Indies there are a substantial number of Canadian visitors each year and these make a significant contribution to the economies of the islands. In 1968 there were approximately 850 immigrants from the Windward and Leeward Islands. The Canadian High Commissioner resident in Port of Spain is also accredited as Commissioner to the West Indies Associated States and has a watching brief over Canadian interests in the other islands of the Eastern Caribbean. The High Commissioner in Jamaica covers British Honduras from Kingston.

REGIONAL INTEGRATION AND CO-OPERATION

During the fifties, when the desire for independence began to gather strength, the British Government with the co-operation of some political leaders in the Caribbean began

to encourage moves toward closer political association between the various dependencies in the area. The case for a federal union rested primarily on the requirement for a larger internal market in order to facilitate industrialization and other forms of economic development. Apart from economic grounds, other factors such as racial similarities, a common language, similar political and administrative practices and a common legal system seemed to argue in favour of a federal system which would unite the small populations of the various islands in a larger and more viable political unit. But divisive forces were also at work. A long tradition of local self-government had fostered pride in the achievements of the various island communities and a keen awareness of local interests. Close links with Britain in many fields and with the United States and with Canada sometimes encouraged development along individual lines at the expense of regional awareness and willingness to co-operate with one another. Communications and transportation links tended to be with the larger metropolitan powers and intra-regional transport and communications were relatively underdeveloped. In the absence of well-developed intra-regional links, distance—it is more than 1200 miles from Jamaica to Trinidad—sometimes appeared to be an obstacle to mutual understanding and shared interests as well as a hurdle to be overcome in the development of trade within the area. Moreover, the various colonies were at greatly differing stages of economic development and some felt that they would be contributing more to the federation than any benefits they would derive from it.

In 1958, with the approval of Britain, Trinidad and Tobago, Barbados, Jamaica and the Windward and Leeward Islands (the Little Seven) formed the Federation of the West Indies. During the next four years, Canada co-operated with the Federal government in ways designed to encourage its viability and success. Of the \$10 million five-year commitment to the Federation, \$7 million was used to support an inter-island transportation system including the provision of two "Federal" ships at a cost of \$5.8 million, and a deep-water dock on St. Vincent at a cost of \$1 million. By 1962, however, the integrating forces gave way to divisive factors and the Federation broke up.

Jamaica and Trinidad and Tobago became independent in 1962, followed in 1966 by Barbados and Guyana. Since attaining independence, Trinidad and Barbados have shown

interest in developing relations with their Latin American neighbours and have joined the OAS. In June of this year, the Government of Jamaica also joined that organization. On the other hand, there have been continuing efforts by the Commonwealth Caribbean countries to co-operate in the economic sphere and considerable positive movement has occurred within the last 24 months.

CARIBBEAN FREE TRADE ASSOCIATION (CARIFTA)

At the 1966 Commonwealth Caribbean/Canada Conference it was recognized that a developing relationship required appropriate changes in traditional methods and patterns of trade. A major step towards regional economic co-operation was taken in October 1967 when the Commonwealth Caribbean Heads of Government agreed to establish CARIFTA to enter into effect May 1, 1968. The establishment of CARIFTA is to date perhaps the most significant development in regional co-operation. Total CARIFTA imports already exceed \$1 billion and are expected to rise to \$2.5 billion by 1976. The CARIFTA agreement provides essentially for the removal of tariffs on all trade between signatories with the exception of products specified in a relatively short Reserve List. A substantial portion of intra-area trade has thus been made duty-free and imports from outside the area, including Canada, Britain and the United States, will remain subject to the tariff treatment currently accorded by each individual member. Developed members of CARIFTA (Trinidad and Tobago, Guyana, Barbados and Jamaica) have five years to abolish tariffs on reserve items and the less-developed members (the Leeward and Windward Islands) have ten years. The CARIFTA Secretariat, established in Georgetown, is responsible for policing this arrangement and allocating markets among CARIFTA producers on the basis of supply and demand information provided by the members. The successful evolution of CARIFTA would represent an important step which hopefully might lead towards the creation of a single viable economic unit in the Caribbean. The move towards regional economic integration and a more cohesive economic policy for the region would also facilitate the implementation of our obligation undertaken at the 1966 Conference to develop, and revise where necessary, our existing trade agreements with the Commonwealth Caribbean.

CARIBBEAN REGIONAL DEVELOPMENT BANK AND REGIONAL DEVELOPMENT ASSOCIATION (CRDB and RDA)

At the 1966 Conference it was also agreed "to study the possibility of establishing a financial institution for regional development which might be used as a method of financing projects of particular interest to the smaller areas, as well as projects which would benefit the region as a whole". Subsequently formal talks were initiated and discussions have moved ahead, particularly in the last six months, on the proposed CRDB, conceived to promote economic development and co-operation among the Caribbean members of the Commonwealth, and a decision should be reached on the Bank sometime this year. Canada has agreed to participate in the Bank as a non-regional member and will contribute to the equity of the Bank and to the Special Fund. The manner in which the Bank develops is a major factor in regional co-operation and will have a significant bearing on the direction of future co-operation in the West Indies. Another area of agreement at the 1966 Conference was that the recommendations contained in the report of the Tripartite Economic Survey of Barbados and the Leeward and Windward Islands (conducted by Canada, Britain and the United States) should be studied further. These discussions led to the establishment in 1968 of the RDA, which includes the Windward and Leeward Islands and Barbados, to review development plans and to assign priorities for regional projects. Canada, along with Britain and the United States, participates in the Agency with observer status and co-operates with it in the implementation of development projects.

CARIBBEAN REGIONAL SECRETARIAT

The Heads of Government of the Commonwealth Caribbean have held a number of meetings in the last few years to discuss matters of common interest. These have now become institutionalized and the CARIFTA Secretariat was broadened in 1968 into the Caribbean Regional Secretariat. The official inauguration of the Secretariat took place in Georgetown, Guyana in March 1969. Its main functions are to service the Conferences of Commonwealth Caribbean Heads of Government and to implement decisions reached at such conferences; to service the Council of Ministers established to administer CARIFTA; and to undertake investigations into questions of regional co-operation. Although the Secretariat is embryonic at present it

should be helpful in further implementing proposals discussed at the 1966 Conference.

Canada's relationship towards the Commonwealth Caribbean was touched on in several sections of the 1966 Communique, and considerable progress has been made in realizing the objectives outlined.

Trade—At the 1966 Conference, a Protocol was signed which up-dated the Canada-West Indies Trade Agreement of 1925. In general, the Protocol provided for closer consultation with a view to preserving and increasing the traditional trade of both sides. Canada agreed to work together with the West Indies to seek an equitable International Sugar Agreement, and this commitment was fulfilled in the sugar negotiations concluded at the end of 1968. Canada also undertook to provide an annual rebate equivalent to duty free entry for a large quantity of Caribbean sugar.

There were also specific commitments given with regard to rum at the request of the West Indies. Canada undertook to implement certain labelling requirements which will come into effect on July 1, 1969. The Canadian Government also undertook to use its good offices with the provincial authorities to facilitate the marketing of Caribbean rum; however, efforts to reach agreement in this area have proven inconclusive.

It was also agreed that a joint study of the possibility of establishing a free trade area between the Commonwealth Caribbean and Canada would be most useful. The Private Planning Association was subsequently commissioned by the Canadian Government to undertake this study and the final report is currently being examined by officials.

Aid—The Canadian Government also undertook certain commitments at the 1966 Conference with regard to its development assistance programme for the area and it was announced that Canadian assistance would be further expanded and that during the next five years a minimum of \$75 million would be made available. In the four years following the Conference Canadian aid allocations amounted to \$77.6 million (\$14.2 million in 1966/67, \$17.3 million in 1967/68, \$22.1 million in 1968/69 and \$24.0 million in 1969/70). Maintenance of the 1969/70 allocation in 1970/71 would result in the total level of Canadian aid reaching \$101.6 million during the five year period to which the Canadian pledge applied. In addition to specific projects in individual countries assistance within the aid allocations outlined above is being provided

to the multi-national University of the West Indies and to the University of Guyana.

Transport and Communications—It was agreed at the Conference that the question of direct shipping services between Canada and the Caribbean area should be investigated. A Transportation Study has been completed by the Canadian Government and sent to the Commonwealth Caribbean governments and other interested organizations for their comments. Several of the governments represented at the Conference also expressed the need for improvement of airport facilities and the Canadian Government agreed that these were matters which should be examined. As a result, in the smaller islands of the Eastern Caribbean a substantial share of our development assistance is directed to the improvement of airports which could assist in the development of the tourist industry.

The need for multilateral discussions with a view to the conclusion of air services agreements between Canada and the Commonwealth Caribbean countries was discussed at the Conference and the desirability of consultation and the greatest degree of mutual co-operation in the negotiation of bilateral arrangements with other countries was stressed. Multilateral discussions did take place but Trinidad and Tobago decided to accept a proposal put forward by private U.S.A. interests and these discussions were terminated. Subsequently, discussions were undertaken between Air Canada and Air Jamaica which led to the conclusion of a commercial agreement between them (the agreement made provision for the participation of Canadian capital and Air Canada management). In addition, outside the multilateral framework, negotiations are expected to take place soon with Trinidad and Tobago and Barbados.

Migration—At the Conference the Commonwealth Caribbean governments emphasized the need for continued and expanded migration opportunities for their people and the Canadian Government said that Canada was prepared to keep its door open to qualified immigrants from the Commonwealth Caribbean on a completely non-discriminatory basis. This is in keeping with our Immigration Act. There has been a considerable increase in the past two years in the number of West Indians admitted to Canada, and the current rate of entry is approximately 8500 per annum. With the increase of migration there is concern over the "brain drain". Canada recognizes the legitimate interests of govern-

ments in the emigration of its citizens and does not actively recruit immigrants from developing countries although services are provided for those who have indicated a desire to move to Canada. We are, however, concerned with the problem of the "brain drain" which is presently being examined. At the 1966 Conference a commitment was given to broaden the seasonal workers programme beyond Jamaica and this programme has been extended to include Barbados and Trinidad and Tobago.

Other Matters—The Canadian Government also indicated its readiness to enter into discussions with a view to reaching agreement with interest Caribbean governments on the problem of double taxation. Subsequently a double taxation agreement was signed with Trinidad and Tobago. Further agreements in the West Indies concerning other countries

have been deferred until after the Government has completed its consideration of the Carter Report.

It was agreed at the 1966 Conference that effective follow-up action should be taken on the matters discussed at the Conference. Following the Conference consultations were held leading to the first meeting of the Trade and Economic Committee in St. Lucia in February 1967. In addition joint consultations have taken place between the High Commissioners of the Commonwealth Caribbean countries in Ottawa and Canadian officials to follow-up on specific matters discussed at the Conference. The Canadian Government established an Interdepartmental Committee of Commonwealth Caribbean—Canada Relations following the Conference and this Committee has met periodically to discuss progress on matters raised at the Conference.

APPENDIX A

WINDWARD AND LEEWARD ISLANDS AND BRITISH HONDURAS

ANTIGUA

Area: 170 square miles
 Population: 62,000 (estimated 1966)
 Capital: St. John's
 Currency: East Caribbean dollar
 Language: English

DOMINICA

Area: 289 square miles
 Population: 69,420 (1967)
 Capital: Roseau
 Currency: East Caribbean dollar
 Language: English

GRENADA

(the islands of Grenada, Carriacou
 and Petit Martinique)

Area: 133 square miles
 (all islands)
 Population: 92,000 (1963)
 Capital: St. George's
 Currency: British West Indies dollar
 Language: English

MONTSERRAT

Area: 39 square miles
 Population: 14,469 (1967)
 Capital: Plymouth
 Currency: East Caribbean dollar
 Language: English

ST. KITTS, NEVIS AND ANGUILLA

Area: 136 square miles
 (all islands)
 Population: 59,476 (1965)
 Capital: Basseterre
 Currency: East Caribbean dollar
 Language: English

ST. LUCIA

Area: 238 square miles
 Population: 110,142 (1966)
 Capital: Castries
 Currency: East Caribbean dollar
 Language: English

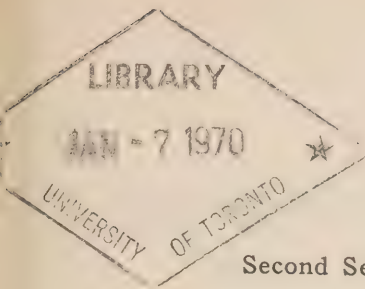
ST. VINCENT

(including the Grenadines Dependencies
 of Bequia, Mustique, Mayreau, Canouan
 and the Union Islands)

Area: 150 square miles
 (all islands)
 Population: 90,272 (estimated 1966)
 Capital: Kingstown
 Currency: East Caribbean dollar
 Language: English

BRITISH HONDURAS

Area: 8,866 square miles
 Population: 113,599 (1966)
 Capital: Belize City
 Currency: British Honduras dollar
 Language: English



Second Session—Twenty-eighth Parliament

1969

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 3

TUESDAY, NOVEMBER 25, 1969

Respecting
THE CARIBBEAN AREA

WITNESSES:

Representing ALCAN Aluminium Ltd.: Mr. Nathanael V. Davis, President;
Mr. Donald D. MacKay, Executive Vice-President; and Mr. E. H.
Roach, Administrative Officer.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

"With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally in any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

"With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

"With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative."

ROBERT FORTIER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, November 25, 1969.

(3)

Pursuant to adjournment and notice, The Standing Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Carter, Connolly, Eudes, Fergusson, Grosart, Macnaughton, Quart, Rattenbury and Robichaud.

In attendance: Mr. Bernard Wood, Research Assistant to the Committee; and Mr. Jacques Vaillancourt of ALCAN Aluminium Ltd.

The Committee continued study of matters respecting the Caribbean Area.

Agreed: That a memorandum prepared by ALCAN Aluminium Limited, entitled "ALCAN in the Caribbean", be included in the Committee's records. (*See Appendix "C" to today's Proceedings*).

The Chairman (Senator Aird) introduced the following witnesses, representing ALCAN Aluminium Ltd.:

Mr. Nathanael V. Davis, President;

Mr. Donald D. MacKay, Executive Vice-President; and

Mr. E. H. Roach, Administrative Officer.

The witnesses were thanked for their attendance and assistance to the Committee.

At 1.00 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, November 25, 1969

The Standing Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable Senators, as you are all aware, last week's meeting with the Honourable Mitchell Sharp completed our hearings on Canadian official policy toward the Caribbean region.

It is especially appropriate that our discussion of Canadian private involvement should begin today with Alcan Aluminium Limited. As the company's excellent submission shows, this great Canadian corporation has a long standing and substantial commitment to the developing economies of the Caribbean.

At this point may I have a motion making the brief a part of our proceedings?

Senator Grosart: I so move.

Note: See Appendix "C" to these Proceedings.

The Chairman: The report of the Pearson Commission on International Development included among its main recommendations the necessity for vast new co-operative efforts of private investment in developing countries. Alcan's record bears this out. The company's contribution through salaries and taxes is a major factor in several Caribbean economies. Perhaps equally important—and I would like to emphasize this—in the long run, is the transfer of advanced industrial technology and modern business methods. It is also clear that Alcan's investment has directly stimulated a wide range of related economic activity.

Furthermore, and perhaps most impressive of all, the operations of Alcan's Caribbean subsidiaries have been carried on for several decades in an atmosphere of fundamental co-operation with the governments and peoples of the area. I know that members of the committee will be most interested in learning more about this remarkable record.

We are especially grateful that Mr. Nathanael V. Davis, President of Alcan Aluminium Limited, and one of Canada's most distinguished business leaders, could arrange to be present at this meeting—at some inconvenience to himself, I might add. I wish to express the committee's most sincere thanks to him for the active co-operation extended to the committee by the officials of this corporation.

Mr. Davis is accompanied today by Mr. D. D. MacKay, Mr. E. H. Roach, and Mr. Jacques Vaillancourt. Mr. MacKay is Alcan's executive vice president in charge of raw materials, whose area of responsibility includes virtually all of the company's operating activities in the Caribbean area. Mr. Roach is attached to the company's head office, and has extensive personal experience in the general conditions prevailing in the Caribbean. He was present at our meeting last week when we heard Mr. Sharp, so he has had a preview of how these meetings are conducted. Mr. Vaillancourt is the head of the company's Ottawa staff.

For your benefit, Mr. Davis, and the benefit of your associates, perhaps I should mention that we conduct our meetings on the following lines. When you have presented your brief—and as you have noted, we have made it part of our proceedings—we hope that you will make some comments upon it. I have asked Senator Connolly (Ottawa West), a former Leader of the Government in the Senate, to be the lead questioner. And after he has finished you will be subjected to questions from the other members of the committee.

On behalf of the Committee, I am delighted to see you here today, sir. We regard it as a great honour. Would you care now to make your introductory remarks.

Mr. Nathanael V. Davis, President, Alcan Aluminium Limited: Thank you, Mr. Chairman, for your kind welcome. I can assure you that we in Alcan appreciate your invitation to

appear before this committee, and that we wish to render any assistance that we can to your deliberations on the relationship between Canada and the Caribbean.

We particularly welcome this interest by the Government of Canada in the relationship between Canada and the Caribbean, because Alcan has a significant stake in the area in terms of both investment and reliance on supplies of bauxite and alumina for its aluminum smelters in Quebec and British Columbia, which together form the basis for an important source of revenue and employment in Canada.

The history of our association with the Caribbean extends over 50 years, and our total investment in Guyana, Jamaica, and Trinidad now stands at over Can. \$300 million, before reserves.

We view our investment in our Canadian smelters and hydro-electric installations, on the one hand, and in our bauxite, alumina and related activities in the Caribbean, on the other, as an effective partnership between Canada and the Caribbean to the mutual advantage of Alcan, the countries involved, and the consumers of aluminum.

We have been well received as an investor in the Caribbean and we have enjoyed the goodwill of the Governments and peoples of the countries in which we operate. On our part, we have endeavoured to be a good corporate citizen of the Caribbean countries. We believe that the industries we have created in the Caribbean, with the support of the countries concerned, make a significant and constructive overall contribution to the local economies, not only in terms of investment and revenue, but also in the human terms of contributing towards better living standards and of enlarging opportunity.

We have submitted a comprehensive memorandum on our operations, activities and general role in the Caribbean, with supporting information on the totality of Alcan's enterprise. We hope this will enable the Committee to appreciate our Caribbean investment and operations in the context of the whole of what, in effect, is an international industry, with a Canadian base.

Perhaps it would be helpful if I gave a brief digest of the major points covered in this memorandum, which we understand will be included as an appendix to the official record of these proceedings.

✓ Alcan Aluminium Limited, or "Alcan", is a Canadian company with headquarters in Montreal, engaged through subsidiaries in all phases of the aluminum business on an international scale. Independent of, and operating in competition with, all other major aluminum producers, Alcan is publicly-owned. It has some 7,600 preferred shareholders and about 73,000 common shareholders, mainly in Canada and the United States. As at September 30, 1969 almost all of its 1.5 million convertible preferred shares and 34.7 percent of its 32.9 million outstanding common shares were held in Canada, representing in terms of market value one of the largest investments by the Canadian public in any industrial enterprise.

Senator Connolly (Ottawa West): Does that 34.7 per cent constitute control? Would you say that that is control in Canada?

Mr. Davis: I do not know how to answer that question, senator. There is no single shareholder who has a large stake in the company.

Senator Connolly (Ottawa West): But it could be control?

Mr. Davis: Yes, it could be. The majority of our shareholders are located in Canada, but the majority of our shares are located in the United States.

Senator Connolly (Ottawa West): Thank you. I am sorry for the interruption.

✓ **Mr. Davis:** Alcan's subsidiaries and affiliates have bauxite holdings in eight countries, smelt aluminum in nine, fabricate aluminum in 33, and have sales outlets in more than one hundred. Management is international in composition, consistent with the company's world-wide activities.

In 1968, total assets employed, before reserves, were \$3 billion. Consolidated net income was \$71.6 million. Total employment in the consolidated Alcan subsidiaries was about 60,600 people.

Alcan's operations in the Commonwealth Caribbean form a vital part of its total operations. Bauxite and alumina produced in Guyana and Jamaica provide a substantial percentage of the total requirements of the company and its affiliates. In particular, the marriage of the natural resources of bauxite in the Caribbean and hydro-electric power in Canada has created an aluminum industry

that is important to both the Canadian and Caribbean peoples.

Important transshipment facilities are operated in Trinidad. Aluminum fabricating operations are conducted in Jamaica, Guyana and Trinidad. Alcan's shipping subsidiary, Saguenay Shipping Limited, is a major factor in Canada-Caribbean trade.

Alcan's invested assets, before reserves, in the Caribbean, with a total value of approximately \$300 million, represents 10% of all the assets employed by the Company. In human terms, the Company's activities in the Caribbean employ over 9,000 people, or over 15% of all Alcan employees throughout the world.

In Guyana, Demerara Bauxite Company, Limited—a locally-incorporated company, often referred to as "Demba"—operates bauxite mines, a bauxite processing plant, an alumina plant and related facilities, representing a total investment of over \$120 million. In 1968, the value of that Company's production of bauxite and alumina amounted to \$46 million, or 37 per cent of the country's total exports.

For the future there is a prospect of hydro-electric power being developed under Government auspices to serve domestic needs within the objectives of Guyana's economic planning. Alcan has stated publicly that it is prepared to consider an aluminum smelter in Guyana provided the cost of power proves to be in a range that would permit an economically viable enterprise, able to compete on world markets.

Demba employs approximately 4,600 Guyanese and has, over an extended period, built at Mackenzie—the site of its operations—a wide range of community facilities, including a pure water system, a high school, a trade school, a 129-bed hospital and a school of nursing. During the current decade there has been a national move towards greater self-reliance, and the company has attempted to support this by assisting in the building up of local institutions to which community facilities can in due course be handed over.

By marshalling financial and technological backing for the Mackenzie operations from various sources, and not least from Canada, Alcan has created a centre of mining and industrial activity in a country heavily dependent on agriculture. The Company has frequently expanded its operations in Guyana over the years and has made large new

investments to support production at the highest level justifiable on economic grounds.

Guyana's official development program for 1966-72 calls for some \$160 million of public investment, of which \$77 million will be non-revenue earning and \$83 million expected to be revenue earning. Demba's private investment plans for this same period total some \$63 million, amounting to 40 per cent of the national program and 75 per cent of the revenue earning sector. Demba paid income tax, export tax, royalties and other taxes in Guyana amounting to a total of \$4.7 million in 1967 and a similar amount in 1968. These payments are expected to increase considerably in the near future, and by 1972 are likely to be more than double the 1967 figure.

Another Alcan subsidiary in Guyana, called Sproston's (Guyana) Limited, or just "Sproston's", was originally incorporated there in 1898 and acquired by Alcan in 1928.

Sproston's assisted Demba in developing local bauxite resources by providing many auxiliary services and supplies needed. In addition, it created a shipbuilding industry that has launched some 50 coastal and river vessels in the past decade. Sproston's recently installed facilities to corrugate aluminum roofing and siding to meet industrial and residential demand in Guyana.

In Jamaica, Alcan undertook the investigation of bauxite prospects in Jamaica, at the invitation of the Jamaican Government, in 1942. Construction of an alumina plant started in 1950, based on this bauxite, and the plant came into operation two years later. Other producers, mainly American, also began bauxite mining, with the result that Jamaica entered upon its national independence as the largest bauxite producer in the world, and the leading exporter of alumina.

In 1968, alumina produced from Jamaica bauxite and exported by Alcan Jamaica Limited was valued at \$65.5 million, representing 28 per cent of Jamaica's total exports that year. With a total investment of approximately \$179 million in Jamaica, and local annual expenditures rising to \$33 million, Alcan is making a major contribution to the Jamaican economy. Nearly 3,000 Jamaicans find employment with Alcan, earning approximately \$10 million in 1968.

Alcan Jamaica Limited early undertook an extensive agricultural and reafforestation program on its 48,000 acres of property, in an effort to improve the agricultural productivity

of the land. The Company's activities include raising of beef cattle, pasture improvement, citrus production and timber planting. Some 20,000 acres of the Company's land not currently needed for mining are made available to some 4,300 farmers, at low rentals, for food crop and dairy production, and the Company conducts a formal program of assistance and advice to the farmers to help them make the best use of their land and to improve yields.

Jamaicans benefit directly from the operations of Alcan Jamaica Limited through government revenues, in addition to employment. Alcan pays royalties, import duties, tonnage tax, property taxes and income taxes on profits in the same way as any other company. These amounted to \$11.5 million in 1968.

Alcan is the largest customer of the Jamaica Railway Corporation and buys locally-made products wherever practicable such as filter cloth, cement, sulphuric acid, etc., for use in its operations.

Alcan has developed its own port—Port Esquivel—on the south shore of Jamaica. This port has added to Jamaica's general port facilities, since it handles the shipment of molasses in bulk, and general cargo for other industries, under special permit from the Government, apart from inward and outbound cargoes for Alcan.

Alcan Jamaica Limited has a continuing program of assistance to community institutions and has been active in giving support to schools and to the University of the West Indies.

Another subsidiary, Alcan Products of Jamaica, was established in 1959 for the promotion of the local manufacture of aluminum products for the Jamaican market, and for export. In 1968, the Company expanded by installing a 2,000-ton aluminum extrusion press, and equipment for anodizing the extruded products at a capital cost of about \$1 million. It is the Company's expressed intention to offer local equity participation in Alcan Products of Jamaica when the venture has been firmly established.

Turning to Trinidad, Alcan has installed a bauxite storage and transfer station at Chaguaramas Bay in Trinidad, known as Chaguaramas Terminals Limited. At Chaguaramas ocean vessels, partly loaded in Guyana are "topped up" with bauxite before going on to their final destination. During the Canadian open shipping season, vessels plying between Chaguaramas and Port Alfred, build

a stockpile of bauxite at or near Arvida for use at the aluminum smelters during the freeze-up of the Saguenay River. The year round, and especially during the winter months, the bauxite stocks at Chaguaramas are replenished by special, shallow-draught vessels shuttling between Mackenzie and Trinidad. Because of this transfer operation, a fairly uniform rate of bauxite production can be maintained in Guyana throughout the year.

Another Alcan subsidiary, Sprotons (Trinidad) Limited, operates a fabricating plant in Port-of-Spain, producing corrugated aluminum sheet and related products for the local market, and for export to the Eastern Caribbean.

The movement of bauxite and alumina from the Caribbean to Canada and other countries is undertaken by Saguenay Shipping Limited and Alcan (Bermuda) Limited. These companies comprise the shipping branch of the Alcan organization.

Besides transporting bauxite and alumina from the Caribbean, these companies also operate cargo services within the Caribbean, and between that area and Canada, the United States and Europe.

Before concluding my remarks, I should like to touch briefly on the human aspects of our operations in the Caribbean. With few exceptions, all Alcan employees in the Caribbean, totalling over 9,000, except those requiring special technical qualifications, are nationals of the respective countries.

It has been the policy of Alcan companies in the Caribbean to hire nationals in preference to expatriates for professional and non-professional staff wherever this has been possible and practicable. In fact, since 1963, Alcan companies in Jamaica have been required by law to employ Jamaicans wherever possible and expatriates may only be employed under work permits issued by the Government to cover vacancies for which suitable Jamaicans are not available. Over 50 per cent of the management staff of Demba in Guyana is Guyanese (48 per cent or West Indian (3 per cent); and in Jamaica over 40 per cent of the graduate staff of Alcan Jamaica Limited are Jamaicans.

Collective Labour Agreements negotiated between each Alcan company in the Caribbean, and the respective unions representing the employees, establish wages, fringe benefits, and conditions of employment generally

Details are given in the memorandum already submitted. The philosophy of training permeates the whole structure of Alcan's activities in the Caribbean, from the management group to the hourly paid workers. Details of the comprehensive approach to training and enlargement of opportunity for Caribbean nationals by Alcan companies in the area are set out in our supporting memorandum.

I hope these remarks may be of assistance in highlighting the main points in our memorandum. Mr. Chairman, my colleagues and I will do our best to answer questions about Alcan in the Caribbean. As you have said, accompanying me today are Mr. MacKay, Alcan Executive Vice President for raw materials, whose responsibilities include all our operation in the Caribbean, and Mr. Roach, one of our administrative officers in Montreal who has a broad knowledge of the area. None of us can be considered experts on the Caribbean, what knowledge we have being based largely on our business activities as seen from Canada and our resulting general interest in the social, economic and political developments in an area of importance to us.

The Chairman: Thank you very much, Mr. Davis. As I have indicated to you, Senator Connolly will lead the question period.

Senator Connolly (Ottawa West): Mr. Chairman, my only regret is that this superb brief was not before this committee about a month ago. Early in October we had a meeting of the Commonwealth Parliamentary Association in Port of Spain. They held meetings at Chaguaramus in the old U.S. navy base there, where the facilities were excellent. On the way out we passed a port, a dock, a quite extensive installation, and one of the delegates, not from the Caribbean, asked me what it was. I said it looked like a cement mixing plant, that perhaps they were manufacturing and exporting cement. I wish I had known it was the pivotal point of take-off for bauxite and alumina, and that a Canadian enterprise was responsible for its installation, because it would have given me a good deal of pride, as I have in this brief, to be able to discuss the extent of the contribution made by your company to the economic development there.

I would like to suggest, Mr. Chairman, before proceeding with the questions to Mr. Davis, that I think it would be helpful, not so much to this committee as to the CPA work, if we could arrange to send to the leaders of

each delegation at the CPA meeting in Trinidad a copy of this brief. I can supply the addresses. To me, this brief points up what can be done in the way of development by the private sector in the equatorial section of the Commonwealth, not only on the business side but on the social side as well. On both those points the brief speaks for itself.

The Chairman: Would you have any objection to that, Mr. Davis?

Mr. Davis: No, Mr. Chairman.

The Chairman: It would carry your approval?

Mr. Davis: Certainly.

Senator Connolly (Ottawa West): It is somewhat of a model. It is the kind of thing we have been trying to emphasize. In addition to the general governmental assistance that is given through external aid, CIDA and other forms of public support for the economies of the third world, the developing world, here we have almost a paragon from the private sector.

I have perhaps already indicated my first question. I noted on page 1 of your brief that 34.7 per cent of your shares are held in Canada. I gather the biggest shareholding is in the United States. Could you tell me in a general way whether in the Caribbean countries that you touch you are considered to be a Canadian rather than an American enterprise?

Mr. Davis: I believe we are considered to be a Canadian enterprise in the Caribbean.

Senator Connolly (Ottawa West): Would you say that the management decisions, and the investment decisions particularly, are the responsibility of the Canadian company?

Mr. Davis: Yes, indeed.

Senator Connolly: And of the subsidiary Caribbean companies that you have?

Mr. Davis: Yes indeed, senator.

Senator Connolly (Ottawa West): So it is looked upon as a Canadian venture in the private sector, to the mutual advantage of both Canada and the Caribbean area?

Mr. Davis: Yes, sir.

Senator Connolly (Ottawa West): Good. I take it that bauxite is a product that is indigenous to tropical and sub-tropical countries primarily. Is that a fact?

Mr. Davis: Yes, that is generally speaking a fact, or perhaps a phenomenon.

Senator Connolly (Ottawa West): This is a little outside your own sphere of activity, but are there other properties in the equatorial Commonwealth comparable to the prospects that you find in the Caribbean, in Africa and South East Asia?

Mr. Davis: In Commonwealth countries? Australia is becoming an important source of bauxite and alumina.

Senator Connolly (Ottawa West): Australia is scarcely a developing country though.

Mr. Davis: It is hardly "a developing country." We have bauxite deposits in Johore, Malaysia, and this, of course, is a Commonwealth operation.

Senator Connolly (Ottawa West): Yes.

Mr. Davis: We have bauxite deposits in Ghana, but they are undeveloped.

Senator Connolly (Ottawa West): But could be.

Mr. Davis: There are bauxite deposits in Fiji, which are in process of being developed by a Japanese company associated with Alcan. Mr. MacKay, can you think of any other Commonwealth areas where we have deposits?

Mr. D. D. MacKay, Executive Vice-President, Alcan Aluminium Limited: No.

Senator Connolly (Ottawa West): I wonder if I could go a little further. You have restricted yourself to bauxite and the products which flow from that. I am sure your geologists have knowledge of this. Within the Commonwealth Caribbean, would you say there are other natural products that could be developed by the private sector from Canada to the mutual advantage of the two countries concerned? I am talking about the extractive industry.

Mr. Davis: I cannot offhand think of any industrial products which would seem to call for natural development in this area. Can you, Mr. MacKay?

Mr. MacKay: There has been some attempt at that—there is a manganese deposit at Guyana and there are some base metals in Guyana—but not to any great extent.

The Chairman: I think that there has also been some activity concerning copper in

Jamaica, has there not? But they have been generally quite small deposits.

Mr. MacKay: Yes.

Senator Connolly (Ottawa West): I know they had oil there at one time.

Mr. MacKay: There is an interest in searching for oil.

Senator Connolly (Ottawa West): But I do not know that it has been discovered in quantity.

Now, in regard to the aluminum plants in the Caribbean, would you care to discuss the time which might have been taken by the company to train local workers for this operation, and whether you had any discouragement, initially? What is the present position in respect of the supply of personnel and the attitude of the government in any of the three countries that you discuss here?

Mr. Davis: I should answer that the training process is a continual process in our operations, and I am speaking particularly of Guyana and Jamaica, where the operations are on a large industrial scale as compared to Trinidad.

We, as has been stated in the memorandum, go through quite a training process both at the hourly-paid level and at the managerial level, and at the managerial level we do it not only locally but also by sending personnel overseas to universities in Canada, and to business management schools, including the one we operate in Geneva.

The progress, generally speaking, has been good although I think one must say that productivity in the area is low compared to North American standards. One of the problems involved in the recruitment and training of local staff, both at the hourly-paid and managerial levels, is that, frequently, we train people who then leave us, either to immigrate to other countries or to work for other companies in the area.

Senator Connolly (Ottawa West): In other words, your company has a brain drain too.

Mr. Davis: We do have a brain drain. I was speaking yesterday with Mr. Barker, the managing director of our Jamaican operations, who told me that we do lose quite a number of our trained foremen and craftsmen, particularly to North America, and that at the managerial level, we lose graduate staff both to other companies in Jamaica and to North America as well.

Senator Connolly (Ottawa West): Do most of these people who leave go to the mainland or do they stay in the islands?

Mr. Davis: At the foreman and craftsman levels most of them appear to leave the island. At the graduate level many remain in Jamaica and some of those who do leave return. I was glad to hear, in talking to Mr. Barker yesterday, that we have recently sent one of our recruiters from Alcan Jamaica Limited, to England and to Canada to visit the universities and West Indian organizations, where he has been able to encourage some well-trained graduate people to go back to Jamaica. Frequently, these are people who had been with us before. It is not all a one-way drain.

Senator Connolly (Ottawa West): I suppose, too, that from the point of view of the general economy of the island in question, at least those who leave you to go to other local industries are bolstering another element in the economy there.

Mr. Davis: I am sure that is true, Senator.

Senator Connolly (Ottawa West): On page 5 of your brief you talk about developments in Brazil and in Guinea. Will that produce much employment, and would you say what the availability of the skills that are in those countries would be for your development? Do you have to start from the beginning in the case of these people?

Mr. Davis: Senator Connolly, I would say in the case of Guinea that we will have to start with extensive training of people. In the case of Brazil, I am not sure I have the answer. It depends upon whether we can recruit in the more industrialized area of Brazil, which I believe will be unlikely because our Brazilian bauxite operation will be on the Amazon River. To the extent that we recruit locally in the Amazon area, I am sure it will call for extensive training. Perhaps Mr. MacKay can supplement that.

Mr. MacKay: I think that is correct, sir.

Senator Connolly (Ottawa West): Do you have any resistance to this training program, say, in Jamaica or in Guyana?

Mr. Davis: Oh, no, sir. I feel quite sure it is welcomed.

Senator Connolly (Ottawa West): And the people welcome it, too?

Mr. Davis: Yes, sir.

Senator Connolly (Ottawa West): May I speak for a moment about the Saguenay Shipping and your other local transportation in the area? Would you say that the majority of the workers, on the basis of percentage, are from the Caribbean on that line?

Mr. Davis: Not in the field of shipping, no, sir.

Senator Connolly (Ottawa West): They do not work on the boats?

Mr. Davis: Perhaps I should say that we have in our fleet four ships that are crewed by Caribbean nationals. Part of the reason for this is that many, if not most of the ships in our fleet are chartered vessels that are crewed by the nationals of the owners, such as Norwegian, British, Italian and so forth.

Senator Belisle: Mr. Chairman, I should like to add to the comments that were made by Senator Connolly regarding the Trinidad trip. I agree with his suggestion that this very good brief should be mailed to all delegates. I do so for the reason that I was one of those who went by the plant on many occasions, and on at least three occasions I asked three different persons who were travelling with me what place that was, and, although I, myself, thought it was a cement plant, I was never told that it had any Canadian connection at all.

Incidentally, in early April the Dunlop people, who were appearing before the Science Policy Committee at that time, said that they had parent companies in the West Indies. After the meeting, I asked them if they had anything in Trinidad and Tobago and they said, through correspondence, that it was arranged for that company to be received by all groups, and, more precisely, it was the Canadian representative who expressed the gratitude from all the people. But I should like to ask just one question.

Senator Connolly (Ottawa West): Perhaps you should have had a sign up.

Senator Belisle: Yes, because I did not know that you were even a part owner of the company.

Mr. Davis: Perhaps we should carry the flag a little better than we do.

Senator Connolly (Ottawa West): You carry the flag well.

Senator Grosart: In fact, you fly it down there.

Senator Belisle: In previous hearings the committee has heard of the involvement of Saguenay in general cargo shipments southward, and mainly bulk bauxite and alumina shipments northbound. The committee was also informed that Saguenay was studying various approaches to expanding its cargo services in both directions.

My question is this: Does Saguenay anticipate a growth in the demand for a northbound general cargo service? Before you answer that I should say that I had the privilege of being in Vancouver last week, and I visited the whole port of Vancouver in company with Senator Hastings and Senator Sparrow. There were approximately 200 cargo ships in the harbour, less than ten of which were Canadian, and we had to be told that they were Canadian. None of them were loading grain. If my memory serves me correctly, one that was unloading sugar was from Saguenay, but it was borrowed from a German fleet.

Mr. Davis: Senator, many of the vessels in the fleet are chartered vessels, and, therefore, they fly under the flags of Norway, Germany, England, or other countries. The number of vessels that we own outright is very, very small.

Perhaps I should supplement my answer, subject to what Mr. MacKay may say. The main purpose of our shipping operation is to carry bulk cargo. While we do carry general cargo and, to a limited extent, passengers, that is not our reason for being. To the extent that we can supplement our basic activities by carrying general cargo, or bulk cargo of another variety, then we naturally do so in order to run an efficient shipping operation, but this is not our *raison d'être*.

Would you agree with that, Mr. MacKay?

Mr. MacKay: Yes.

Senator Belisle: Thank you. I have some other questions, but I know that Senator Fergusson has a question, and she has to attend another meeting.

Senator Quart: Yes, we have to attend a meeting of the Committee on Poverty, but I should like to say that I have seen your aluminum bridge. Is that the only bridge built of aluminum?

Mr. Davis: To my knowledge, senator, it is the only one on such a scale.

Senator Quart: Well, Quebec has that. Then there is the aluminum domed theatre at Waikiki, and that is something fantastic too.

Mr. Davis: Well...

Senator Quart: I am speaking of Kaiser's—maybe that was built by a competitor.

The Chairman: Senator Quart, perhaps we can induce you back after you have attended the meeting of the Committee on Poverty. I know that Senator Carter has a question also.

Senator Carter: I would prefer to wait until we return. The quicker we go, the quicker we will be back.

The Chairman: Yes.

Senator Connolly (Ottawa West): You told me about Saguenay shipping at the international or long haul end, but what about the element from Mackenzie to Chaguaramas. Do locals work in that operation?

Senator Rattenbury: I would think that they would be crewed by local people.

Mr. Davis: That is right.

Senator Connolly (Ottawa West): So there is a further area of skill required to be developed there, and it has been developed, I gather.

On page 9 of your brief you refer to the company town in Guyana, which in some respects, I suppose, resembles a company town operated by the pulp and paper industry in Canada. What is the social impact of an establishment of that kind in that area. Has the creation of a company town in that area caused some difficulties?

Mr. Davis: When the company moved in, it seemed the right and proper thing to do, and I believe it was the right and proper thing to do. Our policy today, however, is to encourage the nationals and our employees to take a greater interest in the town and to acquire property, and to play down the company's role in community development as a paternalistic one. That has created problems for us, as I am sure it has for every company town in other parts of the world.

There has, however, been another problem, in that the company town of Mackenzie, which is on one side of the river, has a relatively high standard as compared to the town across the river, which is more heavily populated.

Senator Connolly (Ottawa West): What is it called?

Mr. Davis: It is called Wismar. This has inevitably created problems and friction.

Senator Connolly (Ottawa West): Do people from Wismar work in the company's plant?

Mr. Davis: Yes, sir, they do. Would you like to speak to that, Mr. MacKay?

Mr. MacKay: The whole municipal area of Wismar and Mackenzie comprises about 30,000 people. There is certainly need for further facilities in the Wismar area in order to bring it up to standard. I think that that is part of the problem.

Senator Connolly (Ottawa West): Generally speaking, would you not think that in a developing country like Guyana the establishment of a town of that kind would encourage the public authorities to think in terms of those standards, even for their establishment settlements? Would it not be an encouragement to them to try to meet those standards, especially if you are backing off, as you describe it, from a paternalistic attitude towards the town?

Mr. Davis: I believe so, senator.

Senator Connolly (Ottawa West): You see, I am thinking not only of Guyana, but of possibilities of this kind in other areas of the equatorial commonwealth.

You say at page 8 of your brief that 22 per cent of the alumina that is produced—I forget which country you are dealing with there.

The Chairman: It is Guyana.

Senator Connolly (Ottawa West): Who gets the foreign exchange credit there? I suppose it is Guyana, is it?

Mr. Davis: Yes, sir. Except for overseas expenditures and remittance of profits, the foreign exchange accrues to the countries involved. I can give you a breakdown of those figures, if you would like to have them.

Senator Connolly (Ottawa West): As a result of your exercising your corporate powers in those islands, and doing what you can within the economy, you are also providing them with foreign exchange.

Mr. Davis: Yes, sir, to a very significant extent.

Senator Connolly (Ottawa West): Could I speak about page 9 and the hydro development that you describe there? Mr. Chairman, incidentally I am talking about page 9 of the

brief, which will not necessarily be page 9 in the transcript that comes out, so perhaps I had better try to identify it a little better. It is really in relation to Guyana. Will you get either a tax incentive or any public assistance for the development of the hydro facilities that are described at that point in the brief?

Mr. Davis: Senator Connolly, the plan is . . .

Senator Connolly (Ottawa West): I do not want corporate secrets.

Mr. Davis: No, sir. It has been the plan all along that any hydro electric development would be undertaken by the Government and not by the company.

The Chairman: Is it a fair question, Mr. Davis, to ask you in relation to this the size of the contribution made by the Government to the cost of this study in comparison to your \$150,000?

Mr. Davis: I am afraid I do not have the answer to that.

Mr. E. H. Roach, Alcan Aluminium Limited: The study was carried out by the United Nations. There was a contribution to the cost by the Guyana Government, but I am not sure of the proportion.

Senator Connolly (Ottawa West): But the company also contributed.

Mr. Davis: Yes, sir.

Senator Connolly (Ottawa West): Supposing you do get that development there—I am not asking this in any Canadian selfish sense—but would that development adversely affect the volume of business done at Arvida or Kitimat? Could I put it this way: Is the world demand for aluminum and aluminum products growing to the point where both can be used?

Mr. Davis: Senator, it would certainly be our hope and our expectation. To the extent that we can have any control over the situation, having regard to the fact that the growth in aluminum is significant and should continue to be significant, we would expect that if we were to put in a smelter in Guyana it would not adversely affect production in Canada.

Senator Connolly (Ottawa West): In other words both can go and both can go well in your expectation?

Mr. Davis: That is our expectation.

The Chairman: Is this true even on the short term?

Mr. Davis: It would, might I say, be true today. Let us hope that it would continue to be true, although we do anticipate, looking some years ahead, that there may be over capacity in the world as a whole.

Senator Rattenbury: Where is the development expected to take place? At Kaieteur Falls or where?

Mr. Davis: No, Tiboku Falls.

Senator Rattenbury: Is that on the Demerara?

Mr. Davis: No, sir, it is on the Mazaruni River, to the west of the Demerara River.

Senator Connolly (Ottawa West): Obviously Senator Rattenbury knows his geography down there. This is not a question, but on page 10 you refer to the public development program in Guyana being \$160 million, and Demba's development program being \$63 million. I want to emphasize that because it shows the extent to which the private sector can contribute to the general economic development under circumstances that are favourable.

On page 11 you refer to Sproston. I take it that it is mainly a construction and shipbuilding organization; is that correct?

Mr. Davis: I would describe Sproston as a jack of all trades. In Guyana it involves itself in shipbuilding, general mechanical repair work, the handling of heavy equipment, aluminum fabricating, and almost any line of effort which can be of assistance to our overall activities in the area. It also handles shipping activities at the port end. I believe the river pilots are employed by Sproston in Guyana.

Senator Connolly (Ottawa West): So again you are diversifying the development of skills for the area which would not be there if it had not been for your own activity and I suppose ultimately because of the natural resource that is there.

Mr. Davis: It certainly has resulted in developing skills. It we had not done it, others might well have, so I do not think we should necessarily take credit for that.

Senator Connolly (Ottawa West): No, but you have done it and I want to emphasize that having it and taken the commercial risk

you should certainly, before this committee, get a great deal of the credit for it. I know that there are other organizations that are doing similar things there, but we like to talk about our own.

I refer to page 13, with reference to Jamaica. While perhaps the question is answered on page 14, I was going to ask whether you got any help on the establishment of the port at Esquivel, but I gather that you did. Perhaps the government built that port.

Mr. Davis: That was an Alcan development. However, I believe I am right in saying that we received for our port development the same incentives as we received for the development of our alumina facilities.

Senator Connolly (Ottawa West): So there was some government support. I was most interested, and I am sure every member of the committee was, to read about your activities in the field of reafforestation and agricultural productivity. Surely this is not something that ensures to the financial advantage of your company? I take it that there are no profits to be taken out of this activity. It is more in the nature of a build-up of services for the community at large. Am I right?

Mr. Davis: Yes, senator, you are right. Our agricultural activities are not profitable per se. Our whole philosophy has been to put the land to maximum utilization, because we have acquired extensive land areas in Jamaica, both because we wish to be a good citizen and because the government is most anxious to see agriculture developed. We have done what we can to develop agriculture and develop the land as effectively as we think it can be developed.

Senator Connolly (Ottawa West): Are you seeing results?

Mr. Davis: Yes sir, we are seeing results in terms of productivity but not in terms of profits.

Senator Grosart: Are you going beyond the statutory requirements? The Jamaica law is very strict in this connection.

Mr. Davis: We have received a clean bill of health under the Land Utilization Act with one exception which I believe is minor. I think it is fair to say our reputation in this field is good and the government feels we have done a good job in this area.

Senator Grosart: I have been there and looked at it. What are the statutory require-

ments? I think we are generally interested in this because of the very broad effort of these Caribbean countries to protect themselves from the wrong kind of exploitation.

Mr. Roach: There are two statutory requirements. One is that we have to restore land that we mine to the same productivity or state that we find it in.

Senator Connolly (Ottawa West): That may not be very high.

Mr. Roach: No, that is the statutory obligation which was there when we first started operating in Jamaica. A more recent statutory obligation is that all owners of more than 100 acres of land are required to develop their land to maximum productivity. We anticipated this obligation and we have received a clean bill of health under that act, which was enacted comparatively recently.

Senator Connolly (Ottawa West): I take it you do open pit mining there?

Mr. Davis: Yes.

Senator Connolly (Ottawa West): When you restore it, do you do it in such a way that it can be used for agricultural or some other purposes?

Mr. Davis: The mined areas we have restored have been put into grass in some instances, and in some instances into crop farming, yams and things of that nature, with good results, I understand.

Senator Connolly (Ottawa West): At page 15 of the brief you talk about Jamaica. I am impressed with the fact that you are establishing some light industry there. I am also impressed with the support you have given to education and the training of people, even if they do not all come to your company or stay with your company. I think that activity is something we as Canadians can be very proud of. It needs no comment other than what you have said in your brief.

The same kind of comment applies to page 19 of the brief, where you talk about the community ventures in Guyana. I notice there that 50% of the male management is Guyanese. I take it that the non-managerial groups are almost 100% Guyanese?

Mr. Davis: Yes, sir.

Senator Connolly (Ottawa West): You also talk about "Caribbeanization," which is a mouthful, and the question of equity holdings.

Is there any real pool of capital there which would enable the Caribbean peoples of these various islands to acquire equity interests in your enterprise? I can understand that the same problem is developing there as has developed in Canada, where there is a desire to have as much of the equity owned in the country where the venture is being developed. The pool in Canada is not enough for our requirements. That is obvious, I think. I suppose relatively speaking the same applies in the Caribbean islands, does it?

Mr. Davis: I am sure that is correct. In the private sector particularly the pool of capital is not very large, and if we were to offer, for example, public participation in our fabricating activities, if we could raise the equivalent of two million dollars (Jamaican) locally from private sources that would be good.

Senator Connolly (Ottawa West): That would be Canadian \$2,700,000.00?

Mr. Davis: Yes, sir, that order of magnitude.

Senator Connolly (Ottawa West): In other words, what you seem to be doing—correct me if I am wrong—is getting the enterprise going, it is public generally, and when it is a viable operation it becomes possible for locals to acquire an equity holding in it if they wish?

Mr. Davis: I would say that is true in the case of our fabricating activities. We have not visualized offering local equity participation in our basic bauxite and alumina activities in the area. Our reasoning has gone along the following lines. Both bauxite and alumina are one link in a long production process through to metal, and we felt if there were shareholders at every link in the stage of a single production process we would inevitably end up with basic conflicts of interest.

There is also a further technical reason, which is that these large projects in both Guyana and Jamaica have been financed by the Aluminum Company of Canada, our main operating company in Canada, which in turn has raised large amounts of debt. Many of these debt instruments prohibit the sale of the equity of our operations in the raw material area without the approval of the debt holders, which approval, particularly in the case of debt held by a large number of people unknown to us, would, we believe, be very difficult to obtain. So there are, we believe, both sound business reasons as well

as technical reasons that have led us to feel we would be ill-advised to offer equity participation at the bauxite and alumina levels. We have, however, always encouraged, to the extent we can, Jamaican or Guyanese participation in the activities of the company as a whole.

Senator Connolly (Ottawa West): Quite. I take it they can buy the shares on the market?

Mr. Davis: Unfortunately, sir, as a result of the sterling regulations it is difficult for nationals of Jamaica and nationals of Guyana to acquire shares in the Canadian company without serious impediment.

The Chairman: Have you considered, Mr. Davis, in that light listing your shares on the London Stock Exchange?

Mr. Davis: We are listed.

The Chairman: Then why is there a difficulty for the nationals of Jamaica and Guyana?

Mr. Davis: Because under the sterling regulations they pay a premium over the dollar value of the stock.

Senator Connolly (Ottawa West): So that is not under your control or under the control of the local Caribbean government?

Mr. Davis: That is correct, senator.

Senator Connolly (Ottawa West): This is my last question, and I apologize for taking so long. This question arises not out of my own mind but out of an article by Richard Alfred, which I read in the *Winnipeg Free Press* of November 22, headed "Black Power in Jamaica." It talks about:

... lush hotels of the north coast resorts, Montego Bay and Ocho Rios, have been built largely with foreign capital. Control of the tourist industry is in foreign hands. Profits are being made by predominantly foreign-owned companies. A look at the roster of hotels seems to lend credence to the black power complaint: Hilton, Sheraton, Holiday Inn—even a Playboy Club.

I must get down there with the Chairman and some of my colleagues sometime! He goes on to say:

Besides foreign control of tourism, island black power advocates are lashing out at foreign domination of bauxite. Jamaica is

the world's leading producer of this mineral from which aluminum is made.

... Last year American and Canadian companies, which have an absolute monopoly on the island's bauxite, dug out 8.3 million tons of the red dust. Only recently have the companies decided to begin processing bauxite in Jamaica, and thus contribute a higher percentage of the profits from bauxite to the island's economy...

Most of the more than 100 firms that have settled on the island in the last five years... are foreign-owned.

They settled "at the encouragement of the Jamaican Industrial Development Corporation".

'In Jamaica, 98 per cent of the people are black; the other two per cent control all the wealth.'

This is the tenor of the article. I wondered whether you might have some comment to make about that. I know it is a many faceted question with all kinds of ramifications.

Mr. Davis: Well, Senator Connolly, we are alert to some of these developments which are occurring. We believe that areas such as Jamaica and Guyana—the lesser developed areas that are basically short of capital—can use their capital to better advantage in areas other than those in which we may be operating. We believe that, effectively, the governments and the people of Jamaica and Guyana are partners with us in the profitability of our enterprises in the two countries, although the entire risk capital has been invested by us.

These forces are at work in many parts of the world, but we believe basic economic sense should prevail and that these countries would use their resources in areas that they can develop better themselves.

I should perhaps add that we believe that the equity participation which has come into these countries from Canada has brought not only profits and income and foreign exchange to the countries, but technological and managerial skills as well.

Senator Connolly (Ottawa West): And taxes.

Mr. Davis: And taxes, yes, sir. On balance, we feel that economic sense would dictate that the governments use their capital in other areas to better advantage.

Senator Connolly (Ottawa West): Thank you very much, indeed.

Senator Grosart: Mr. Davis, in this committee we have been trying, without any success at all, to assess the economic magnitude of the Canadian presence in the Caribbean, particularly in the Commonwealth Caribbean. One figure at least in your brief would seem to give the lie to some of the figures we have had as to the total size of the Canadian investment there. In fact, one figure we had very recently would indicate that the Alcan investment of \$300 million was out of a total of \$356 million, which is obviously not correct. Would you venture a guess as to what your \$300 million investment in the Caribbean would be as a percentage of the total Canadian investment? It is a difficult question, but would you venture a guess from your experience there? It could be only a guess, because we have been told that in Canada there are no figures indicating the specific investments that Canadians have in other countries. It amazes us that this is so, but we are told that it is.

Mr. Davis: Senator, my best guess would be, I fear, very far off the mark. I feel completely ignorant on that subject. I can identify many Canadian investments in the Caribbean, but I can not put a price tag on them.

Senator Grosart: In your own figures you show as components of the \$300 million, \$179 million in Jamaica and \$65.5 million in Guyana.

Mr. Davis: The actual figure for Guyana is \$120 million.

The Chairman: May I refer Senator Grosart to page 8 of the brief, where the second sentence shows the Guyana investment at \$120 million.

Senator Grosart: What is that \$65.5 million figure, then?

Mr. MacKay: That is the figure in the value of alumina export from Jamaica.

Senator Grosart: Thank you.

Mr. Chairman, I should like to draw attention to some other figures. The investment figure is \$300 million; total employees, 9,000; the value of exports: Guyana, \$46 million, and Jamaica, \$65.5 million. Incidentally, that is the figure I was confusing. Taxes and royalties: Guyana, \$4.7 million; Jamaica, \$11.5 million.

I would suggest, Mr. Chairman, that other Canadian investments should be capable of being added up and we should be given figures, along the lines of these figures, as well as other economic indicators, because it is obviously an absurdity for us to sit here making an inquiry into Canadian Caribbean relationships, if we do not know what the financial dimension of it is.

Senator Connolly (Ottawa West): I wonder if the committee might not pass that question, Mr. Chairman, to the Dominion Bureau of Statistics and ask them to go to work on it? We have trade commissioners and high commissioners; we have Canadians all over Guyana. I think it is a vitally important type of question for us to have answered.

The Chairman: Senator Connolly, we are going to direct that question to the Dominion Bureau of Statistics, and, moreover, we have had numerous witnesses here, none of whom have been able to come up with an answer, and it is an answer we are determined to find out. We will approach the department of statistics and do our best to get what we can from them, and, as Senator Grosart points out, there is some relevancy in these taxes that are paid, and we will work it all together and come up with some kind of answer.

I sympathize with Mr. Davis in his inability to answer the direct question.

Related to the taxes that are paid in Jamaica and in Guyana, Mr. Davis, one is in excess of being double the other, although I note that the Guyanese tax by 1972, you feel, will be at a comparable level. The disparity of these two taxes intrigued me. I wondered if you had an explanation for that.

Mr. Davis: Yes, Mr. Chairman. The basic reason why our taxes in Guyana have been relatively lower than our taxes in Jamaica in recent years is that we have been running through the period of financial incentive granted by the Guyanese Government to assist the development of many of our recent capital projects, including a tax-free period. We have received investment allowances, and a five-year tax free period for the alumina plant, and we have been running through a resulting period of low tax revenue.

Senator Connolly (Ottawa West): That should be an incentive for other enterprises in other Commonwealth equatorial countries, should it not?

Mr. Davis: Yes.

Senator Connolly (Ottawa West): There is a precedent there?

Mr. Davis: Yes.

Senator Grosart: This may also be a difficult question, Mr. Davis, but on the figures Senator Aird has just referred to, I think it was for 1968, the total return in taxes, royalties and similar sources to Guyana was \$4.7 million and to Jamaica \$11.5 million. Have you ever estimated what percentage that is of the total budget of these countries? I am sorry to be asking these difficult questions, but we have to find these figures out piecemeal because nobody seems to have the total figures.

Mr. Davis: Senator, I am afraid I cannot give you those figures off the top of my head, and I do not think we have them with us, except I think I can properly say that our tax contribution to both countries is a significant contribution relative to their total tax take.

Senator Grosart: You could not guess at its general order of magnitude?

Mr. Davis: I would rather not guess it. I would rather, if we may, make a study of that and submit more accurate figures than I could possibly give you here. I think we could do this, if the committee so wished.

The Chairman: We would be very pleased to receive those figures.

Senator Grosart: Another question perhaps of the same sort. \$46 million export earnings in Guyana are 37 per cent of the total; and \$65.5 million in Jamaica are 28 per cent of the total. What are the other sources? These are very high percentages for one company to be bringing into countries—37 per cent of the total in the case of Guyana and 28 per cent in the case of Jamaica. Generally speaking, what are their other sources of export earnings?

Mr. Davis: Other than our bauxite and alumina?

Senator Grosart: Other than the 28 and the 37 per cent you are bringing in.

Mr. Davis: In Jamaica there are several other aluminum producers currently exporting sizable tonnages of bauxite and who are just beginning to produce alumina. The exports of bauxite by the American producers in Jamaica have undoubtedly contributed very significantly to the total exports from Jamaica. There are, over and above that, sub-

stantial exports of sugar and other agricultural products such as citrous, bananas and coffee.

In the case of Guyana there is one other bauxite miner, and his exports would contribute significantly to the total exports of Guyana. There is, in addition, both the export of sugar and, I believe, a fairly significant export of rice.

Senator Grosart: We might conclude, in a rough way, that bauxite and alumina exports contribute close to 50 per cent of the export earnings of both these countries.

Mr. Davis: Yes, I would think so, senator; and in the case of Jamaica there is vast expansion being undertaken in the field of alumina production and bauxite exports.

Senator Grosart: What is the estimated lifetime of the deposits in each of these countries?

Mr. Davis: In the case of our activities in Jamaica, we have reserves which could support us for 35 to, perhaps, 60 years. In the case of Guyana I think it would be a minimum of 30 years. I do not feel I can speak authoritatively with regard to the reserves of our competitors in the area, but I believe them to be significant and on a scale generally comparable to our own. Would you agree with that, Mr. MacKay?

Mr. MacKay: Yes, I would.

The Chairman: These are at current rates of production, are they?

Mr. Davis: Yes, at current rates of production.

Senator Grosart: So there is no immediate problem but, obviously, some time in the not-too-distant future there is going to be a problem.

Mr. Davis: If one looks ahead 35, 40, 50 years—though I might qualify that by saying that although Mr. MacKay is not a geologist, geologists are notoriously conservative.

The Chairman: Not always Canadian geologists.

Senator Grosart: Your last remark does not apply to some stocks I have bought.

Mr. Davis: I should say, "in the field of bauxite"!

Senator Connolly (Ottawa West): And you have continuing expansion programs?

Mr. Davis: Yes.

Senator Grosart: How do you define "investment"? On page 12 you show \$179 million in Jamaica and you say that the local annual expenditures are running at \$33 million annually. What do you put into the investment package?

Mr. Davis: Our total assets before reserves are the figures we have used. The balance sheet figure would be somewhat different because we would deduct depreciation from the fixed capital.

Senator Grosart: But this \$179 million would not then all be money from outside the country; some of it would be earned surplus put back in?

Mr. Davis: Yes, sir, I believe you are right: some of it would be earned surplus, but not a very large amount, in my opinion. Is that right, Mr. MacKay?

Mr. MacKay: I think that is right.

Senator Grosart: So the off-shore total would be close to these figures you have given?

Mr. Davis: Yes, the projects have been financed virtually entirely from outside, and all the capital has gone in from outside the areas.

Senator Grosart: Have you attempted to estimate the balance of payments' drain on your dividends in relation to the Jamaican and Guyana operations?

Mr. Davis: Senator, could I turn that around?

Senator Grosart: I am speaking in Canadian terms, and I should say I am fully aware of the figures you can put against that.

Mr. Davis: Could I turn that around, senator, in this sense—and these are rough orders of magnitude: In Guyana in the year 1968 our local expenditures, including taxes, were of the order of \$22 million. Our total value of alumina, bauxite and other exports was \$46 million. The net contribution to the economy and foreign exchange of Guyana would be of the order of \$22 million. We had, in addition, overseas expenditures of \$10.3 million, depreciation of \$7.2 million and a profit of \$6.5 million. Now, in addition to the daily or yearly operations we have, of course, invested large amounts of capital in both Guyana and Jamaica and most of that capital remains

within the country. In the case of Guyana our company owes the Aluminum Company of Canada \$56 million. This is evidence of the degree of capital which has gone in.

Regarding Jamaica, our local expenditures in 1968 were of the order of \$33 million and our total value of exports was \$65 million. Our contribution to the local economy can be stated as \$33 million going into the net economy, plus whatever we have put in, in the way of fixed capital.

Senator Grosart: What is your profit figure there as against the \$6.5 million?

Mr. Davis: In the case of Guyana, it is \$6.5 million and in the case of Jamaica it is \$16 million.

Senator Grosart: That would be operating profit, which would not take into account any interest on the original investment?

Mr. Davis: No, sir.

Senator Grosart: This would be profit on the year's operations only?

Mr. Davis: Yes, sir.

The Chairman: It also accounts perhaps for the disparity of the taxes paid.

Mr. Davis: It would, yes.

Senator Grosart: You speak of your participation in Guyana in the national development plan. I recall the figures, that you will be contributing 75 per cent of the export earning sector. Do you work closely with the government in setting up a plan like this or is it accidental that your share of it should be so high?

Mr. Davis: This, sir, I think should be considered accidental. It is merely a comparison of our capital program relative to the governments.

Senator Grosart: Do you sit down with the governments when they come up with these national development plans?

Mr. Davis: No, sir.

Senator Grosart: They do not ask you in?

Mr. Davis: No, sir. I think it is fair to say that we are not consulted on their development programs. Would you agree with that?

Mr. MacKay: Yes.

Mr. Roach: Yes. May I make one point, sir? I believe there may be some misunderstanding-

ing. The figures we gave for the company's development plan were not part of the government's development plan. They are two separate plans. We are saying that the government's development plan amounts to so much and that our own development plan is so much and then comparing the figures.

Senator Grosart: So that your results, in terms of earnings in the earning sector, were not part of the government plan?

Mr. Davis: No, sir.

Senator Grosart: How could the government, in making a plan, leave out the contribution you are going to make?

Mr. Davis: Undoubtedly the government took our operations into consideration, as far as income is concerned, but the figures which have been given in our memorandum are the respective development capital expenditure programs of the company and of the government.

Senator Grosart: It did not read that way to me; perhaps I should read it again. In other words, you are comparing public expenditure with private expenditure?

Mr. Davis: Yes, sir.

Senator Connolly (Ottawa West): Contrasting?

Mr. Davis: Yes, sir.

Senator Grosart: I took it that the national development plan was a comprehensive assessment of the total income and outgo for Guyana.

Mr. Davis: No, sir. We may have misled you there.

Senator Connolly (Ottawa West): You did not mislead me, but I am glad Senator Grosart has made the point that it does show the contribution the private sector makes and the percentage of it in relation to what the government does. I am not being critical of the government when I say this.

Senator Grosart: I am not surprised at that answer. I have heard the same complaint from Canadian industry about not being consulted on some of these national development plans. We have heard it in committees in this room. That is all I have, Mr. Chairman.

Senator Robichaud: Some of the questions I had in mind to ask have been asked by Sena-

tor Grosart and answered. However, I would like to ask another question of Mr. Davis relating to the paragraph dealing with labour relations, wages and employee benefits. On page 22, you mentioned that in Guyana—for example, you have an agreement which provides for a minimum rate of pay equivalent to \$5.56 per day in Canadian dollars which, if you work it out, on a 40-hour week basis, it is equivalent to something like \$27.80 weekly, and \$120 per month, while in Jamaica the minimum wage is \$1.067 an hour, which is again the equivalent of \$40 weekly, and \$175 monthly. Now, these figures may not seem too high, but you mentioned also in your brief that they are supplemented by fringe benefits which form a significant addition to these hourly rates. Also, when you compare them to the per capita national income level of \$269 in Guyana in 1965 they seem quite high. You are giving us the minimum wage. What would be the average? In Guyana, for example, you have 4,600 employees and in Jamaica something over 3,000. What would be the average pay of these employees, even if you leave aside the administration end?

Mr. Davis: Senator, I am afraid I cannot give you that figure today. I think we could attempt to calculate it, but I do not have the figure in mind.

Senator Robichaud: You could not tell us what percentage of the 4,000 employees in Guyana are receiving the minimum wage and how is it accelerated and to what degree?

Mr. Davis: I cannot do so, senator. Perhaps one of my colleagues can.

Mr. MacKay: I think that the average pay can be calculated from the statistics in our memorandum. For instance, in Guyana, in 1968, total wages paid to Demba's 4,600 employees amounted to \$10.7 million, an average of \$2,300.

The Chairman: Senator Robichaud, I happened to work out an average for Jamaica, Guyana and Trinidad last night. The total is 9,322 and the payroll is \$25 million, and if my arithmetic is right, the average is \$2,679.

Senator Robichaud: The average is way above.

Senator Connolly (Ottawa West): Ten times.

Senator Robichaud: Maybe ten times the national income level, but what I want to base it on is the minimum and I can see by those figures a large percentage of the

employees are receiving much above the minimum rate of pay.

Mr. Davis: Yes, that is the case.

Senator Robichaud: I also have another question which is very general. You referred to the port facilities at Port Esquivel. How far is it from Kingston?

Mr. Davis: Senator, I would think about 30 to 35 miles from Kingston by road, and perhaps less as the crow would fly.

Senator Robichaud: My reason for asking this question is because you also mentioned in your brief that this port is being used for other general port activities outside of Alcan's project, and if I remember correctly—I was in Kingston last April and I noticed that in the Port of Kingston they have modern facilities at the entrance which do not seem to be used as they should be. Most of the warehouses were abandoned and empty. Could you explain or do you have any idea why this is so?

Mr. Davis: I am afraid I cannot explain that, senator.

Senator Robichaud: Because there seemed to be modern facilities there and if I remember also it was told that they were provided by assistance from some governments, probably partly by the Canadian Government, but the facilities were there and not being used.

Mr. Davis: I am afraid I do not have the answer to that, Mr. Chairman.

Senator Grosart: Might I refer to the matter I raised before and suggest to Mr. Davis and his colleagues that if they are using this statement again, about the relationship of the Demba development Plan to the national plan, that they rewrite that paragraph. With respect, I suggest it is very misleading, when they say Demba's planned investment "amounts to 40 per cent of the national plan and 75 per cent of the revenue earning sector". It does not "amount to". It "compares with." That is what you mean.

The Chairman: Are you agreeable to that?

Mr. Davis: Certainly.

Senator Rattenbury: I notice through the brief there are references to Demerara Bauxite, to ALCAN Jamaica, to ALCAN Bermuda. I take it these are all wholly-owned subsidiaries of ALCAN?

Mr. Davis: Yes, sir, they are.

Senator Rattenbury: In view of that, and in view of Mr. Benson's avowed intention of looking at offshore companies, is there any conflict of interest there, any problems that might arise?

Mr. Davis: Based on the White Paper?

Senator Rattenbury: Yes, and other statements he has made.

Mr. Davis: We believe that if bilateral tax treaties are made with the countries in question, we would not suffer under the proposed terms of legislation in the White Paper, provided—and this is quite an important point—provided there are tax treaties between Canada and the countries in question.

Senator Rattenbury: I noticed here—I could not find it before I asked the question—that there has been a reference to a company in Bermuda.

Mr. Davis: In the base of Bermuda we may face some problems.

Senator Rattenbury: Because that is known as a tax haven?

Mr. Davis: That may be construed as a tax haven, depending on how the legislation is developed. If, as Mr. Benson has said, the regulations would be generally similar to those applying in the United States, we would probably continue to operate through ALCAN Bermuda. That is, depending on how the regulations are developed.

Senator Rattenbury: Thank you.

Senator Macnaughton: It seems to me you should add the words "tourist haven" also, along with tax haven, as I am sure the Government of Bermuda would prefer the latter category, in the public eye.

Perhaps, Mr. Chairman, I should have interrupted after the interesting remarks of Senator Connolly on re-afforestation and the other plans your company indulges in. Do I understand that the type of mining you conduct in Jamaica is strip mining, surface mining?

Mr. MacKay: Open strip.

Senator Macnaughton: I do not know the technical term, but you have your big scoopers there, and hence I presume one of the reasons for re-afforestation and agricultural attempts to reclaim the land.

Mr. Davis: Most of the re-afforestation, to my knowledge, has been done on areas other than those mined. Only a relatively small part of our total land has been mined or used for industrial purposes. We are in process of reclaiming the mined-out areas. I believe we have done no major re-afforestation in the mined-out areas but we are in process of planting some trees as well as undertaking market garden activities. This reclamation is done by removing the topsoil in the first instance, before removing the bauxite. After the bauxite has been removed, the topsoil is returned.

Senator Macnaughton: My question was not intended to be critical but to try to extract some information, if I could. Would you say that your re-afforestation and your re-agricultural attempts have been successful.

Mr. Davis: Yes, sir, I believe they have been successful.

Senator Macnaughton: Are you in a position to say whether any surprises have developed from this planned reclamation policy?

Mr. Davis: No, sir.

Senator Macnaughton: The point of my question is that if you have succeeded down there, what you have done there could be applied in other parts of the world, as strip mining is a very interesting process.

Mr. Davis: Perhaps the emphasis here is not quite correct. When we speak of this large amount of re-afforestation and agricultural activity, we are speaking of activity on lands that have not been mined. The reason behind this is that we have acquired bauxite properties and large acreages of land surrounding those bauxite properties. Therefore, we have a great deal of agricultural property which is not underlain by bauxite. Much of our agricultural work and re-afforestation work and tenant farming work is done on areas that have not been mined and never will be. Mr. MacKay, do you agree with that?

Mr. MacKay: Yes.

Mr. Davis: Whereas, when we speak of mined-out areas we are talking of a relatively small acreage as compared to our total acreage of 48,000 acres.

Senator Grosart: Are there statutory requirements in Guyana as in Jamaica?

Mr. Davis: I do not believe there are. The conditions there are very different. We are

operating in a remote unpopulated area. In Guyana we have to remove as much as 200 feet of overburden before getting to the bauxite, so the possibilities of reclamation are not good. Moreover, we are dealing with what might be considered as waste land. Do you agree, Mr. MacKay?

Mr. MacKay: In Guyana most of the mining area is covered by simple sand. It is not capable of agricultural productivity.

Senator Grosart: I meant my question in a more general way. Are there statutory requirements covering mining operations in Guyana generally?

Mr. MacKay: In Guyana, not nearly to the same extent.

Senator Macnaughton: I did not want to push the question too much. I was hoping that Jamaica might lead the way in the development of land which had been mine stripped—if that is the technical term.

Mr. Davis: I know we are doing research in this area. For our purposes in Jamaica we are sending people around the world to see what has been done in other areas. I suspect that conditions in Jamaica differ so much from conditions in other parts of the world that very little may be applicable or translatable to other areas, because of climate, and so on.

Senator Belisle: May I be permitted to say to Senator Macnaughton that even in Ontario we do not compel the mining community, even in the case of 10 feet. There is no compulsion on them, wherever they have made some extraction.

Senator Grosart: Senator Belisle comes from Sudbury.

Senator Belisle: We have used open pits and some of them are 20 feet deep and others are 2,000 or 3,000 feet deep.

Senator Macnaughton: My question was not intended to be overly critical. It was an attempt to extract any new information with regard to reclamation methods and in that regard apparently you have your problems.

Senator Grosart: Do you have a policy of doing a substantial amount of research and development in Jamaica and Guyana?

M. Davis: You mean in the industrial field?

Senator Grosart: Yes.

Mr. Davis: Very little in the industrial field, if any.

Mr. MacKay: Except in the plants themselves. There is a considerable amount of process development in the plants but research as such, no.

Senator Grosart: Where do you do your research?

Mr. MacKay: Mainly at Arvida, in Kingston, Ontario and in England.

Senator Grosart: What percentage of your research and development expenditures are made in Canada?

Mr. Davis: I would think between two-thirds and three-quarters, the balance being in England.

Senator Grosart: So you are very much like Philips in Holland making a real contribution to the technological capability of the country.

Mr. Davis: We have two research areas here and one in England. I would say two-thirds of the expenditures are here and perhaps somewhat more.

Senator Carter: Mr. Chairman, I have a question which may have been answered while I was out. I would like to have a clarification of this definition of reclamation which has been talked about in the previous question. When we talk about reclaiming the land, are we thinking of curing the scars and landscaping the property so that it can be used, or are we thinking in terms of creating a new resource to replace the one that has been taken out? Is there a policy of the company or of the government that requires that that should be done?

Mr. Davis: I believe in the case of Jamaica the legislation reads that the land should be put back into condition similar to that which existed before mining took place. Now, literally, of course, that is impossible because you mine out a certain area and you have to leave a large trough but the intention is and what we are seeking to do, and, I think, quite effectively, is to put back the relatively narrow layer of topsoil which occurs in Jamaica and make those mined out areas viable from an agricultural viewpoint, at least hopefully as viable as they were before.

Senator Carter: So that a new resource can be developed to replace the old? That is to say so that some wealth can be developed to

replace the ore wealth that has been taken out.

Mr. Davis: I am not sufficiently knowledgeable on that but I believe one of the reasons bauxite was discovered in Jamaica was because bauxite proved to be poor soil for anything to grow on. Perhaps these areas after reclamation will be better, but we would not guarantee it.

Senator Carter: Speaking of bauxite reserves, how great a reserve remains? How many years supply do you have or are they in danger of being depleted?

The Chairman: Senator Carter, I think this question was answered in your absence and when you read the transcript you will find the answer there.

Senator Carter: All right, then my next question is with regard to automation and the effect it is likely to have on your operation from the standpoint of employing local labour.

Mr. Davis: We are of course trying consistently to increase the productivity of our industrial and agricultural operations. This calls for the infusion of more capital equipment, but I shall ask Mr. MacKay to confirm or correct my feeling that the results will not significantly reduce employment. If, however, we were to install a new alumina plant in Jamaica I believe the employment per ton of output would be somewhat lower, in fact rather significantly lower than in our existing plants.

Mr. MacKay: That is correct; that is a fair statement.

Senator Carter: My next question is, have you any suggestions as to what Canada can do more than is already being done to stimulate investment and development of this area? What would be your opinion of a development corporation?

Mr. Davis: You are speaking now of the Caribbean area?

Senator Carter: Yes, the Caribbean area—the area in which your company is operating.

Mr. Davis: Are you speaking of development other than our own, that is development in the public sector?

Senator Carter: Yes.

Mr. Davis: I believe what Canada is doing to help the Regional Development Bank may prove to be most useful. Of course the needs of the area are so immense that it is very hard to decide which route is the best to take. We are not experts, of course, but we are impressed with certain problems inherent in both Guyana and Jamaica, namely over-population, high unemployment, low levels of education and a rapidly expanding expectations—a combination which naturally gives cause for concern in looking to the future. It is my understanding that what Canada has done in past aid has been in the field of education and in the field of infrastructure, all of which has been unquestionably of great assistance. However, we feel that perhaps something should be done in the field of population control because the economic development of these areas, which has been fairly good in terms of percentage growth, has been offset in part by the population increase. The net results are not as good as they would at first appear to be. This has, I believe, been brought out most effectively in Mr. Pearson's recent study and has also been brought out quite effectively in a study by the Committee on Economic Development in the United States. Population increase is vitiating a large part of the economic growth of the area.

Senator Carter: With respect to your own operations, are they handicapped in any way by present government policy, apart from taxation?

Mr. Davis: May I have a moment to think about this. I believe we have said or at least implied in our brief that we feel somewhat handicapped by the regulations which require the use of nationals in management positions if they are available. I believe we have lost some of our efficiency as a result of this requirement by the governments concerned. Would you agree, Mr. MacKay?

Mr. MacKay: Yes.

Mr. Davis: Whether one would equate the activities of labour with the activities of government is, I believe, questionable. Certainly in Guyana we have suffered from labour instability. In the case of Jamaica we have not suffered so much from labour instability, but we have faced significant increases in wages that far exceed any expected increase in productivity.

Senator Connolly (Ottawa West): How do you define "labour instability", Mr. Davis?

Mr. Davis: Strikes and disruptions that have prevented us from operating.

Senator Grosart: Did you not give us a profit figure for Jamaica of 16 per cent?

Mr. Davis: No, \$16 million.

Senator Macnaughton: Mr. Chairman, this is not a question, but a comment that may be of assistance to Senator Carter. If he would check the reports of the British Government agency, the Commonwealth Development Corporation, he will see there some very interesting results of an attempt by the British Government through their agency to aid and assist various countries, and what it costs.

The Chairman: Are there any further questions? It is now one o'clock. I am hopeful that many of us will join with Mr. Davis and his colleagues for lunch in the parliamentary restaurant, at room 602.

It remains for me, Mr. Davis, to thank you very much for your direct and, if I may say so, very thoughtful answers to a great number of questions. We have gone on for a little longer than we anticipated at the beginning, but it has been a great pleasure for this committee to have you here today, and to have enjoyed such a productive meeting.

The committee adjourned.

APPENDIX "C"

ALCAN

in the

CARIBBEAN

Memorandum prepared for
The Standing Senate Committee
on Foreign Affairs, Ottawa
November 1969

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(1) *Alcan Aluminium Limited*
—A Brief Summary

"Alcan" is the short name for Alcan Aluminium Limited, for many of its subsidiaries (including the principal one, Aluminum Company of Canada, Ltd) and for the Alcan group of companies as a whole.

Alcan Aluminium Limited is a Canadian company with headquarters in Montreal, engaged through subsidiaries in all phases of the aluminum business on an international scale. Independent of, and operating in competition with, all other major aluminum producers, Alcan is publicly-owned. It has some 7,600 preferred shareholders and about 73,000 common shareholders, mainly in Canada and the United States. Almost all of its 1.5 million convertible preferred shares and 34.7 percent of its 32.9 million outstanding common shares are held in Canada (as at 30 September 1969), representing in terms of market value one of the largest investments by the Canadian public in any industrial enterprise.

Alcan's subsidiaries and affiliates have bauxite holdings in eight countries, smelt primary aluminum in nine, fabricate aluminum in 33 and have sales outlets in more than 100. Management is international in composition, consistent with the Company's world-wide activities.

The consolidated subsidiaries of Alcan Aluminium Limited have production capacities as follows:—

Primary Aluminum—More than 1,100,000 tons per annum, of which 1 million tons is operated by Aluminum Company of Canada Ltd. (In addition, the non-consolidated affiliates in Japan, Norway and other countries, in which Alcan owns 50 per cent or less of the equity, have a combined capacity of 630,000 tons.) Both groups of companies are expanding their capacities to reach a total of some 1,880,000 tons by the end of 1969.

Since total free world capacity of primary aluminum is expected to be 8,500,000 tons at the end of 1969, Alcan can be considered a significant factor in the world industry.

Alumina or Aluminum Oxide—the powdery substance from which aluminum is produced—total annual production capac-

ity of 3,000,000 tons in consolidated companies. Affiliated but non-consolidated companies have an additional 1,500,000 tons of capacity.

Bauxite—the ore from which alumina is refined—consolidated subsidiaries mine approximately 6 million tons per year and additional bauxite is purchased.

Calcined Bauxite—for uses other than metal production, 596,000 tons, all produced in Guyana.

Semi-fabricated and finished aluminum products—In 1968 in 30 countries, consolidated subsidiaries produced and sold 606,000 tons and non-consolidated affiliates another 200,000 tons.

Power—Alcan's power facilities in Canada alone, comprising one of the largest privately-owned hydro-electric systems anywhere, have an installed capacity of 3,583,000 kilowatts.

Markets—The Company's most important single market in 1968, as in the previous five years, was the United States which purchased 393,000 tons.

Other major sales areas were:—

Canada—150,000 tons

United Kingdom—174,000 tons

Japan—106,000 tons

Most of these sales were based on Canadian ingot. The Company's total consolidated sales in 1968 were 1,200,000 tons.

Financial—Alcan's consolidated sales and other revenues in 1968 were \$1,081 million.

Total assets employed, before reserves, were \$3,000 million. Consolidated net income in 1968 was \$71.6 million.

Employees—In the consolidated Alcan subsidiaries, total employment in 1968 was about 60,600 persons.

(2) *Alcan—Raw Materials*

Bauxite is the principal raw material used in producing aluminum. In general it is an earth-like material, found in many tropical and semi-tropical countries, whose content of aluminum oxide or "alumina" may range from 35 percent to 60 percent. These variations in grade, and in the content of other waste

Note: Throughout the text all quantities are in short tons of 2,000 pounds each. All financial amounts are in Canadian dollars.

materials, and the various conditions of mining and transport, affect the relative costs and economics of utilizing different bauxite resources. In short, the bauxite business may differ greatly from one producing country to the next.

The extraction for alumina from bauxite is a large-scale chemical process, not requiring large quantities of electric power. Depending on quality, some four to six tons of bauxite are required to produce the approximately two tons of alumina needed for the production of one ton of aluminum. The reduction of the alumina by an electrolytic process, to produce the pure metal, requires vast quantities of electric power.

Alcan's smelters in Canada are presently supplied with alumina from three main sources, namely the Company's alumina plants at Arvida (Quebec) and in Jamaica and Guyana. The Kitimat smelter also obtains some alumina from Australia.

From the start of aluminum smelting in Canada in 1900 until the mid-thirties, Alcan's alumina requirements were purchased from the United States and Europe. In 1935, the first alumina plant was built at Arvida (Quebec) to use bauxite brought mainly from Guyana. These facilities were greatly expanded in both countries during World War II, to meet the needs of Alcan's rapid expansion in smelter output in Canada.

In the 1950's, when the growth in Alcan's aluminum sales justified further new alumina capacity and the Kitimat smelter was started, Alcan's first Caribbean alumina plants were built in Jamaica and Guyana. Today these latter plants have total capacity of 1.5 million tons of alumina per annum, about 25 percent larger than the total of 1.2 million tons in Quebec.

Alcan's alumina from the Caribbean is now shipped principally to the smelters in Quebec and British Columbia, but it also supplies other long-term contract customers particularly in Norway. The alumina plants in Quebec use bauxite from Alcan's subsidiary in Guyana, supplemented by bauxite purchased from Surinam, from West Africa and other sources.

To keep pace with its growing production of aluminum and to provide for future needs, Alcan is developing other bauxite sources in Brazil and in Guinea, and also participates in a major alumina company producing in Australia:—

(a) In Brazil, Alcan has recently announced that a Brazilian subsidiary is planning to undertake an export bauxite mining project of major importance in the Amazon River region, in the State of Para.

(b) Alcan owns a 27% interest in a projected large bauxite development in the Boké region, *Republic of Guinea*, West Africa. The Boké deposits are expected to come into production by 1972.

(c) Alcan participates with certain other aluminum producers in a 1 million-ton-per-year alumina plant which first came into production in Queensland *Australia* in 1967. The Company has a 22% interest in this facility.

Alcan has additional bauxite facilities operating in Malaysia, France, India and Brazil. In the latter two countries, the Company's bauxite operations form part of its integrated aluminum operations there. Alcan also has bauxite holdings in Australia and elsewhere.

(3) *Alcan in the Commonwealth Caribbean*

(a) *Brief Summary*

Alcan's operations in the Commonwealth Caribbean form a vital part of its total operations. Bauxite and alumina produced in Guyana and Jamaica provide substantial percentage of the total raw material requirements of the company and its affiliates. The marriage of the natural resources of bauxite in the Caribbean and hydro-electric power in Canada has created an aluminum industry that is important to both the Canadian and Caribbean peoples.

Important transshipment facilities are operated in Trinidad. Aluminum fabricating operations are conducted in Jamaica, Guyana and Trinidad. Alcan's shipping subsidiary, Saguenay Shipping Limited, is a major factor in Canada-Caribbean trade.

Alcan's invested assets (before reserves) in the Caribbean have a total value of approximately \$300 million and consequently represent 10% of all assets employed. In human terms the Company's activities in the Caribbean employ over 9,000 people, something over 15% of all Alcan employees throughout the world.

(b) *Guyana*

In Guyana, Demerara Bauxite, Company Limited (often referred to as "Demba") oper-

ates bauxite mines, a bauxite processing plant, an alumina plant and related maintenance and engineering facilities representing a total investment of over \$120 million. Demba is a locally incorporated company subject to the income tax laws of Guyana where the corporate tax rate is 45%. In 1968 the value of the Company's production of bauxite and alumina amounted to \$46 million, or 37% of the country's total exports.

Demerara Bauxite Company, Limited is the oldest and largest bauxite producing unit in the Alcan Group. The site of its operations is Mackenzie, at the head of navigation on the Demerara River, and 65 miles from Georgetown, the capital on the coast. Mackenzie is now the second largest community in the country, although at the time the Company was incorporated in 1916 the entire district contained only a tiny hamlet.

Demba now produces about 3 million tons of bauxite a year, some 38% of which is shipped to Alcan plants at Arvida. The Company's alumina plant at Mackenzie, the largest industrial installation in Guyana, was completed in 1961 at a cost of \$37.5 million.* It currently converts into alumina about 22% of the bauxite produced and exports it to Canada or Europe. The balance of the 3 million tons is processed into calcined bauxite for sale to the abrasive and refractory industries in 27 countries. This production of calcined bauxite, in which Demba is a world leader, was pioneered by Demba and has been expanded steadily. The latest addition to calcining equipment in 1968 raised production capacity to the region of 650,000 tons.

For the future there is a prospect of hydro-electric power being developed under Government auspices to serve domestic needs within the objectives of Guyana's economic planning. A detailed hydro-electric investigation, towards the cost of which Demba contributed \$150,000, has recently been completed for the Government, under the sponsorship of the United Nations. Alcan has stated publicly that it is prepared to consider a smelter in Guyana provided the cost of power proves to be in a range that would permit an economically viable enterprise, able to compete on world markets.

Demba employs approximately 4,600 Guyanese and has, over an extended period, built at Mackenzie a wide range of community

facilities which include a pure water system, a high school, a trade school, a 129-bed hospital and a school of nursing. During the current decade there has been a national move towards greater self-reliance, and the Company has attempted to support this by assisting in the building up of local institution to which community facilities can in due course be handed over. Much company housing has been sold to employees on favourable terms, through a non-profit community development organization charged with stimulating further growth in the area.

By marshalling financial and technological backing for the Mackenzie operations from various sources, and not least from Canada, Alcan has created a centre of mining and industrial activity in a country heavily dependent on agriculture. The Company has frequently expanded its operations in Guyana over the years and has made large new investments to support production at the highest level justifiable on economic grounds.

The latest expansion announced by Demba involves the addition of 20% to the capacity of the alumina plant, currently 320,000 tons per year. The new facilities, costing \$3.7 million, will be operational early in 1971.

An illustration of Demba's role in Guyana lies in the relative sizes of the corporate and the national investment programs. Guyana's official development program for 1966-72 calls for some \$160 million of public investment, of which \$77 million will be non-revenue earning and \$83 million expected to be revenue earning. Demba's private investment plans for this period total some \$63 million, comparable to 40% of the total national program and 75% of the revenue earning sector. Demba paid income tax, export tax, royalties and other taxes in Guyana amounting to a total of \$4.7 million in 1967 and a similar amount in 1968. These payments are expected to increase considerably in the near future and by 1972 are likely to be more than double the 1967 figure.

By world standards, Guyana's total reserves of bauxite are relatively modest in size. They are also relatively expensive to develop because of the heavy over-burden of sand and clay lying above the bauxite deposits and because of limitations on shipping posed by draft conditions in the Demerara River and the Georgetown harbour bar. Because of these limiting factors, it is essential for the

* This investment somewhat exceeded the Company's total cash generation in Guyana from 1916 to 1956.

continued success of the Guyana bauxite industry that it be conducted along highly efficient lines. It follows that a high degree of understanding and co-operation between management, government and labour is required.

Another Alcan subsidiary in Guyana, called Sproston (Guyana) Limited, or just "Sproston", was originally incorporated there in 1898 and acquired by Alcan in 1928.

Sproston assisted Demba in developing local bauxite resources by providing many auxiliary services and supplies needed. Sproston undertook the construction of Demba's alumina plant and other general contract jobs. It has created a shipbuilding industry that has launched some 50 coastal and river vessels in the past decade, including an all-welded aluminum 300-ton general cargo vessel for the Demerara River service, and two large car and passenger ferries for the Government. Already operating a sizeable plant for the fabrication of steel and aluminum structures and a large service shop for the pair of earth-moving equipment and diesel engines, Sproston recently installed facilities to corrugate aluminum roofing and siding to meet industrial and residential demand in Guyana.

In addition to being sales agents for Alcan's aluminum products in Guyana, Sproston has built up its general merchandising trade as a participant in local economic growth.

(c) *Jamaica*

In 1942 Alcan, at the invitation of the Jamaica Government, undertook the investigation of bauxite prospects in Jamaica. In 1950 Alcan started on the construction of an alumina plant, based on this bauxite, which came into operation two years later. Other producers, mainly American, also commenced bauxite mining, with the result that Jamaica entered upon its national independence as the largest bauxite producer in the world, and the leading exporter of alumina.

In 1968, alumina produced from Jamaica bauxite and exported by Alcan Jamaica Limited was valued at \$65.5 million, representing 28% of Jamaica's total exports that year. With a total investment of approximately \$179 million in Jamaica, and local annual expenditures rising to \$33 million, Alcan is making a major contribution to the Jamaican economy. Nearly 3,000 Jamaicans find employment with Alcan, earning approximately \$10 million in 1968.

The relatively high iron and low alumina content of Jamaica bauxite, and its physical properties, unlike other bauxites then in use, were at first a serious obstacle to the development of the industry. However, by 1949, Alcan solved the technical problems in producing alumina from this type of ore. Jamaica alumina production then became practicable and plant construction got under way. Alcan's plant was the first to produce alumina in Jamaica, other producers exporting only bauxite until recently.

The first shipment of alumina produced of Jamaica bauxite left from the port of Kingston for a Norwegian smelter in January of 1953. The first shipment of alumina from the new port at Port Esquivel, built by the Company, was made in May 1954 to Alcan's smelter at Kitimat, in Western Canada.

Jamaica's first alumina plant, Alcan's Kirkvine Works, near Mandeville has through a series of expansion programs now been expanded to a capacity of 610,000 tons of alumina a year. The Company's second plant, Ewarton Works, has also been expanded to this capacity, so that the total production capacity of the Company is now 1.22 million tons per annum.

Alcan Jamaica Limited early undertook an extensive agricultural and reafforestation program on its 48,000 acres of property, in an effort to improve the agricultural productivity of the land. The Company's activities include raising of beef cattle, pasture improvement, citrus production and timber planting. The Company has led in the development of the Ortanique citrus variety which is an orange-tangerine cross fruit unique to Jamaica. Some 20,000 acres of the Company's land not currently needed for mining are made available to some 4,300 farmers, at low rentals, for food crop and dairy production, and the Company conducts a formal program of assistance and advice to the farmers to help them make the best use of their land and to improve yields.

Jamaicans benefit directly from the operations of Alcan Jamaica Limited through government revenues, in addition to employment. Alcan pays royalties, import duties, tonnage tax, property taxes and income taxes on profits in the same way as any other local company. These amounted to \$11.5 million in 1968.

Alcan is the largest customer of the Jamaica Railway Corporation, having a freight bill of \$1.7 million in 1968. The Company also buys locally-made products wherever practi-

cable, such as filter cloth, cement, sulphuric acid, etc., for use in its operations.

Alcan has developed its own port—Port Esquivel—on the south shore of Jamaica. This port has added to Jamaica's general port facilities, since it handles the shipment of molasses in bulk, and general cargo for other industries, under special permit from the Government, apart from inward and outbound cargoes for Alcan. For example, fuel oil for the Jamaica Public Service Company's new generating station at Old Harbour Bay is imported through Port Esquivel as well as bulk sulphur for the local sulphuric acid industry. Off-loading at Port Esquivel of bulk supplies of grain and pulses for a local feed mill has been arranged.

Alcan's two plants and the port employ approximately 2,500 Jamaicans. The Company's Agricultural Division employs an additional 300-400 persons on the average, the figure varying with seasonal requirements.

Alcan Jamaica Limited has a continuing program of assistance to community institutions and has been particularly active in giving support to schools and to the University of the West Indies.

Another subsidiary, Alcan Products of Jamaica, was established in 1959 for the promotion of the local manufacture of aluminum products for the Jamaican market, and for export. As originally established it produced corrugated aluminum roofing sheet and products related to the roofing business. In 1968, the Company expanded by installing a 2,000-ton aluminum extrusion press, and equipment for anodizing the extruded products at a capital cost of about \$1 million. These products serve the increasing demand for aluminum extruded products in the furniture, construction and electrical fields in Jamaica and in the CARIFTA area. It is the Company's expressed intention to offer local equity participation in Alcan Products of Jamaica when the venture has been firmly established.

(d) *Trinidad*

Two facts of nature complicate the problem of moving bauxite and alumina from Guyana to Canada and one of these applies also to the many cargoes shipped to other countries.

First, a large sand and mud bar at the mouth of the Demerara River, and the depth to which it is economically and technically feasible to dredge to narrow reaches of the river, limit the cargoes which can be loaded

at Mackenzie to approximately half the capacity of an ocean-going ship.

Second, the receiving terminal at Port Alfred on the Saguenay River in Quebec is ice-bound for approximately four months of the year.

To overcome this combination of difficulties, Alcan has installed a bauxite storage and transfer station at Chaguaramas Bay in Trinidad, known as Chaguaramas Terminals Limited.

At Chaguaramas the ocean vessels, partly loaded in Guyana, are "topped up" with bauxite before going on to their final destination. During the open shipping season, vessels plying between Chaguaramas and Port Alfred, build a stockpile of bauxite at or near Arvida for use at the Aluminum smelters during the freeze-up of the Saguenay River. The year round, and especially during the winter months, the bauxite stocks at Chaguaramas are replenished by special, shallow-draught vessels shuttling between Mackenzie and Trinidad, which can each carry 8,000 tons over the Georgetown Bar.

Because of this transfer operation, a fairly uniform rate of bauxite production can be maintained in Guyana throughout the year.

Also in Trinidad, an Alcan subsidiary, Sprotons (Trinidad) Limited, operates a fabricating plant which uses Alcan aluminum to produce corrugated aluminum sheet and related products for the local market, and for export to the Eastern Caribbean. The output is used for roofing and siding on many of the warehouses, factories and other buildings built recently in Trinidad and the adjacent islands.

(e) *Ocean Transport*

The movement of bauxite and alumina from the Caribbean to Canada and other countries is undertaken by Saguenay Shipping Limited and Alcan (Bermuda) Limited, which companies comprise the shipping branch of the Alcan organization.

Besides transporting bauxite and alumina from the Caribbean, these companies also operate cargo and passenger services within the Caribbean, and between that area and Canada, the United States and Europe.

(f) *Employment*

The Alcan companies in the Caribbean provided the following employment at the end of 1968 (and the totals remain roughly constant):—

<i>Jamaica</i>	<i>No. of Employees</i>
Alcan Jamaica Limited	2,923*
Alcan Products of Jamaica Ltd.	86
Sprostons (Jamaica) Limited	254
<i>Guyana</i>	
Demerara Bauxite Company Limited	4,788
Sprostons (Guyana) Limited	920
<i>Trinidad</i>	
Chaguaramas Terminals Limited	220
Sprostons (Trinidad) Limited	131
	9,322
Total annual payrolls in 1968	Can. \$25 million

(g) *Employment of Caribbean Nationals*

With few exceptions, all Alcan employees in the Caribbean, except those requiring special technical qualifications, are nationals of the respective countries.

1. *Guyana*

Demba's policy is to hire Guyanese in preference to expatriates for professional, and non-professional staff positions where qualifications are equal or where the Guyanese candidate has promise and can be expected to achieve the necessary standard fairly quickly through on-the-job experience and training.

Because of the highly technical requirements of Demba's operations, and because of the competitive nature of the industry, it is essential to Demba's progress that the best possible talent be obtained.

Since 1960, Demba has awarded scholarships to Guyanese for engineering studies at the University of the West Indies in Trinidad, and at universities in Canada. In addition, scholarships are awarded annually to secondary schools in Guyana.

The Company has been successful in attracting a number of Guyanese engineers to return to Guyana from overseas, supported by the Government's campaign to induce qualified personnel to return to their own country.

In Guyana, at the end of December 1968, over 50% of the male management staff of Demerara Bauxite Company was Guyanese (48%) or West Indian (3%)—i.e., 84 people out of 163.

Rapid progress becomes more difficult as such a program continues, since many of the

technical and innovative roles within a large management organization require a substantial depth of experience, related to the international as well as to the national aspects. A balance is necessary between "nationalistic" ambitions and "internationalistic" needs.

2. *Jamaica*

As in the case of Demba in Guyana, it has been the policy of Alcan in Jamaica to hire Jamaicans in preference to expatriates wherever this has been possible and practicable. In fact, since 1963, the Company is required by law to employ Jamaicans wherever possible and expatriates may only be employed under work permits issued by the Government to cover vacancies for which suitable Jamaicans are not available.

At the present time nearly 100% of its non-graduate staff force is Jamaican. Of its graduate staff, 40% are Jamaicans. The Company is, however, finding difficulty in increasing this percentage significantly despite considerable efforts to do so because it is meeting competition from abroad and from within the island for trained Jamaicans. The Government of Jamaica is fully aware of the problem experienced by the Company and is itself experiencing problems involved by Jamaicans in Government service wanting to leave for real or imaginary "greener fields" outside the island.

The "brain drain" from both Jamaica and Guyana is a very real problem.

3. *Trinidad*

All senior staff of Chaguaramas Terminals Limited are Trinidadian or West Indian. Only two of the staff of Sprostons (Trinidad) Limited are expatriates.

*Including casual agricultural and port employees

4. General

It is becoming more and more difficult to obtain permission to employ Canadians with required special skills or experience in Alcan operations in the Caribbean, in the light of national policies seeking to limit the employment of expatriates. While the objective of the Caribbean governments is understandable and appreciated, and while Jamaicanization, Guyanization, etc. is a highly desirable goal, it should not become an end in itself to the detriment of economic efficiency.

(h) Labour Relations, Wages and Employee Benefits

Collective Labour Agreements negotiated between each Company, and the respective unions representing the employees, establish wages, fringe benefits, and conditions of employment generally.

In Guyana, Demerara Bauxite Company's current labour agreement with the Guyana Mineworkers union started in October 1967, and runs through to February 1970. This agreement provided for a minimum rate of pay, as from 3 February 1969, of Can. \$5.56 per day. This compares with a Government suggested minimum rate of pay in Guyana of Can. \$2.14 a day. In 1968, Demerara Bauxite Company paid out over Can. \$10.7 million in wages and salaries.*

Alcan Jamaica Limited's current labour agreement started from 1 August 1968 and runs through to 31 October 1970. In its second year it currently provides for a minimum hourly-rated pay of from Can. \$1.067 an hour to a maximum of Can. \$2.057 an hour. Fringe benefits form a significant addition to the hourly rates.

As in Guyana, the industrial wages paid by the company in Jamaica are substantially above the normal level of wages prevailing in the country. In terms of sterling, it appears that the industrial wage rates paid by Aljam in Jamaica are comparable to the wage rates paid by Alcan in the United Kingdom.

A contributory pension plan, with life insurance, is available to all Alcan employees in the Caribbean. The Company plan is integrated with the national insurance schemes in Guyana and Jamaica.

Company-sponsored hospital and medical services are available to Alcan employees.

Extensive opportunities are provided for employee training to equip them for advancement. (For details see next section)

(i) *Enlargement of opportunity for Caribbean Nationals*

The philosophy of training permeates the whole structure of Alcan's activities in the Caribbean, from the management group to the worker at the lowest level.

1. Guyana

In Guyana, Demerara Bauxite Company constructed, established and maintains:—

(a) A High School (first established in 1946). New modern facilities were erected in 1959 and expanded in 1968.

(b) A Trade School (1958)

(c) A Nursing School (1958), as an adjunct to the hospital operated by the Company, since 1925, to serve the whole community and beyond. This hospital now has 129 beds.

Apprentice training is conducted in conjunction with the Trade School.

Internal courses, aimed at upgrading the general skills and education of the employees, are run on Company time and selected employees are sent to various outside courses offered by manufacturers and trade institutes.

The Company conducts full-time courses designed to upgrade, and provide training in, the administrative skills, for management personnel down to first-line supervisor. It also sends and finances participants to the Centre d'Études Industrielles in Geneva and to the Alcan Caribbean Management Seminar, as well as to other Management Courses organized by outside bodies.

The Company also encourages employees to take courses on their own either by correspondence or at night school, and offers financial assistance.

Demerara Bauxite Company awards scholarships to graduates of domestic high schools, and some 12 Company scholars are presently studying at universities in Canada and at the University of the West Indies.

In addition, donations are made to the University of Guyana, the Adult Education Association of Guyana, the Critchlow Labour College and various youth and cultural organizations.

* (The same 2½% of Guyana's employed labour force which is on Demba's payroll is receiving about 12% of the nation's total compensation to employees. Guyana's per capita national income level was Can. \$269 in 1965)

2. Jamaica

In Jamaica, Alcan Jamaica Limited offers parallel assistance towards the enlargement of opportunity for nationals.

The Company provides trades training and part-time courses in specialized skills at its two plants. "Training Within the Industry" courses were introduced in 1958 and have been continued on a regular basis since for supervisory personnel. Mid- and upper-management courses have also been established on a continuing basis. Jamaican members of staff have attended training courses at the Centre D'Études industrielles in Geneva, Switzerland, at the annual Alcan Caribbean Management Seminars and also at seminars and training courses at overseas universities or training institutions.

Alcan Jamaica Limited has given, and gives, a variety of assistance to local schools. The Company created the Alcan Jamaica Independence Scholarships at the University of the West Indies and at the College of Arts, Science and Technology. Seventeen Jamaican students annually are receiving higher education as a result of the scholarship scheme.

Donations are made to the University of the West Indies, and to various domestic educational and youth organizations.

3. Trinidad

Chaguaramas Terminals Limited and Sprotons (Trinidad) Limited, are much smaller operations than Alcan's major activities in Guyana and Jamaica. The efforts of these companies directed towards enlargement of opportunity have been consistent with their size and needs, but in accordance with the same philosophy which motivates the bigger companies in carrying out their necessarily larger and more comprehensive efforts in Guyana and Jamaica. Donations, on a smaller scale, are given towards local educational establishments.

The above applies also to the activities in this area of Sprotons (Guyana) Limited in Guyana and Sprotons (Jamaica) Limited and Alcan Products of Jamaica Limited in Jamaica.

4. Alcan Annual Caribbean Management Seminar

Alcan sponsors an annual Management Seminar in the Caribbean which is organized and presented by faculty members of the Centre d'Études Industrielles, Geneva and the Massachusetts Institute of Technology, Boston.

The seminars are planned around the following objectives:—

1. To enhance the sensitivity to environment factors which influence the conduct of business.
2. To increase the acceptance of the need and improve the understanding of ways to better utilize human resources.
3. To explore some new techniques which help managers to solve problems in a more rational manner.

While the majority of attendees at the seminars are employees of Alcan subsidiaries in Guyana, Jamaica and Trinidad, Caribbean governments and other Caribbean organizations are invited to send representative participants who could be expected to derive benefit from participation and who could contribute to the development of understanding.

At this year's seminar, in November, the Faculty will include the Director of the Trade Union Institute of the University of the West Indies, and the Economic Adviser to the Prime Minister of Trinidad (Mr. William Demas, who has just been appointed Secretary-General of the Commonwealth Caribbean Regional Secretariat, and who appeared before the Senate Committee in Ottawa on 25 February 1969).



Second Session—Twenty-eighth Parliament

1969

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable ALLISTER GROSART, *Deputy Chairman*

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No. 4

TUESDAY, DECEMBER 9, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Mr. K. R. Patrick, President, Marigot Investments Limited, Montreal,
Quebec.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—

Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—

Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—

Resolved in the affirmative.

MINUTES OF PROCEEDINGS

TUESDAY, December 9, 1969.

(5)

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 11:15 a.m. this day.

Present: The Honourable Senators Cameron, Carter, Connolly, Fergusson, Grosart, Haig, Laird and Robichaud. (8)

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee continued consideration of matters relating to the Caribbean Area.

The Deputy Chairman (Senator Grosart) introduced the witness:

Mr. Kenneth R. Patrick,
President, Marigot Investments Limited, Montreal.

On motion of Senator Fergusson,

Ordered; That a copy of the cable, sent by Mr. Patrick to the various governments, of the "Little Seven" and Barbados, as referred to in his submission, together with their replies be appended to today's proceedings. (*See Appendix "D" to these Proceedings*).

The witness was thanked for his contribution to the Committee's studies.

At 1:00 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, December 9, 1969.

The Standing Committee on Foreign Affairs met this day at 11 a.m.

The Deputy Chairman (Senator Allister Grosart) in the Chair.

The Deputy Chairman: Honourable senators, I see a quorum. As you are all aware, our special witness this morning is Mr. K. R. Patrick, who has had considerable experience in the Caribbean Islands and, I think, on the mainland too. He is a Canadian businessman doing business there. I am quite sure that we will benefit from his expert knowledge, both during his presentation and in the question period.

I should perhaps say that Senator Aird is unavoidably absent this morning and that he has asked me to substitute for him.

We will follow our usual procedure: Mr. Patrick will make a brief statement, which will be followed by questions. I have asked Senator Robichaud to lead off the questioning, to be followed by Senator Haig; and then, as usual, any senators wishing to ask questions should indicate their desire to our clerk, Mr. Innes.

I believe you have before you from our staff the biographical notes on Mr. Patrick, a copy of a speech that he made some time ago, some material on Marigot Investments Limited, a company in which he is interested, and a submission especially prepared for this hearing. You also have some notes prepared by our staff on Mr. Patrick's submission which may indicate some particular areas of questioning. We will discuss later the question of which of these documents should be appended to today's proceedings.

As you know, Mr. Patrick is a well-known figure in the Caribbean, and he is a Canadian with extensive business experience both in the Caribbean and elsewhere.

Mr. Patrick, may I call on you now to proceed with your opening statement?

Mr. K. R. Patrick, President, Marigot Investments Limited, Montreal: Mr. Chairman, may I first express my appreciation for the opportunity to appear before this Committee to discuss an area of long time personal interest and, more recently, of business interest. The Eastern Caribbean, for reasons which I hope will become evident as I proceed, is really my favourite topic.

I do not consider that this invitation was extended for a review of the affairs of Marigot Investments Limited, of which I am Chief Executive. However, I think that it is best, by way of background, to briefly outline the company's activities before proceeding with this submission.

Marigot Investments Limited is a Canadian company with public shareholders numbering nearly 1000. A diversified company, nearly 60 per cent of its assets are located in the Eastern Caribbean and these include land developments, a brokerage firm, a retail and wholesale trading complex, and a soft drink bottling and distributing operation. The trading subsidiary in Antigua is the largest commercial firm on the island. We consider the orientation of the company to be "growth" and our confidence in the economic growth and the continued political stability of the Eastern Caribbean is the reason for our considerable and growing investment. To the extent that there are earnings from Caribbean subsidiaries, these are reinvested in addition to fresh capital, which is constantly required to assure the orderly growth of the company. We have endeavoured to make the firm a responsible corporate citizen, and we believe that our record in this regard is good. Our desire to employ the maximum number of West Indians has produced the anticipated results. In one Antigua company, the top twelve managers were expatriots prior to takeover. Today, all but one of these positions has been filled by Antiguanians. The company is prospering as a result and the Antiguan community is happy to see local members successfully holding responsi-

ble positions. The company plans to continue expansion of its Caribbean interests and we expect that it will include joint ventures with the local business interests and, in some areas, joint ventures with local governments.

My personal interest in the Caribbean goes back many years. As a youngster in St. John, New Brunswick, the C.N.R. "Lady" boats brought me in contact with many West Indians, and I am told by my West Indian contemporaries that the reverse situation occurred in a number of Caribbean ports. A frequent visitor before and immediately following the Second World War, I have spent considerable time in and have been a regular visitor throughout the Eastern Caribbean. Although my recent business interests take up time during my visits, I still manage to spend about half my time in discussions with Island Governments, at their invitation.

As further background to my submission, your Committee's director has received a copy of a proposal submitted early in 1966 urging that Canada consider the establishment of a customs and monetary union with the former British Islands of the Caribbean. The proposal, reviewed with each of the island governments prior to publication, was discussed on four separate occasions in our House of Commons with favourable reception from spokesmen of all parties. This proposal was also the subject of a private briefing to some sixty MPs in the Commonwealth Room of the Parliament Building.

You have already heard references to the Commonwealth Caribbean Conference held in Ottawa in 1966, attended by all the Prime Ministers, Premiers, and Chief Ministers of the Commonwealth Caribbean, and many members of their Cabinets. Following this highly successful official gathering, we sponsored an informal "post conference" session at St. Donald, Quebec. This was attended by all of the members of the Little Eight delegation and three members of the Canadian Cabinet.

This submission will offer some suggestions for your consideration on practical ways and means of increasing assistance to the Little Eight group of islands. Specifically, they are, from north to south, the islands of Antigua, St. Kitts-Nevis-Anguilla, Montserrat, Dominica, Saint Lucia, Barbados, Saint Vincent and Grenada. This grouping for better definition, is known as the Little Seven and Barbados—Barbados being a member of the Commonwealth. My remarks that will follow refer specifically to this area.

This presentation attempts to define the many differences between these islands and others in the Commonwealth Caribbean, and how they differ in almost every respect from others in the non-Commonwealth Caribbean. I will try to prove that this area deserves, and indeed needs, a different level of Canadian assistance.

A perusal of the proceedings of earlier hearings shows that you are already in possession of an abundance of statistical data, maps and valuable advice. While I have not studied this previous testimony in detail, I would agree with most of the evidence offered.

However, I disagree that it is practical to lump the entire Commonwealth Caribbean into one group when contemplating foreign affairs policy and also, I also do not agree with the view that tourism needs to create serious social problems.

Also included is a map, only for the purpose of clearly identifying the Little Seven, their proximity one to another and to Canada.

I have just received this map, and I see that it fails to accomplish the purpose that I hoped it would. It indicates that Antigua and Montserrat are one hour and 20 minutes apart, when, in fact, they are only 20 minutes apart. I am told that the reason for this error is that the people who prepared the map have taken the total time from Canada to Montserrat via Air Canada, which includes a one hour lay-over in Antigua. The point that I wish to make is that these islands are as close to each other as 15 minutes by air. They are separated in some cases by only 20 or 30 miles of water.

I consider this area one for special consideration for the following reasons.

(a) Montserrat is still a colony. Antigua, Dominica, St. Lucia, St. Vincent and Grenada are associated states, with St. Vincent celebrating this new status just a few weeks ago on October 27. Barbados is a Commonwealth country.

(b) The total land area of the Little Seven is 1150 square miles, about half the size of Prince Edward Island. The total population of the Little Seven is nearly 500,000, or about the population of Metropolitan Ottawa. The Little Seven vary in size from Montserrat, with of 40 square miles and 14,000 people, to Dominica's 289 square miles, and St. Lucia's 110,000 people. Barbados has an area of only 166 square miles with about 250,000 people. In total, this is a very small community in numbers of people and land area. These islands

are also tiny when compared to Trinidad with its population of 1,035,000 people on 1900 square miles, or Jamaica with 1,700,000 on 4411 square miles.

(c) These small islands are interspersed among other islands with other traditions and parent countries, whose financial and technical support program is vastly different. For example, the neighbouring U.S. Virgin Islands and Puerto Rico have a per capita income ten times that of St. Lucia. The French islands of Martinique and Guadeloupe were areas of great poverty not many years ago. Recently the French Government has provided adequate financing for the construction of highways, schools, public services, airports and high rise structures. Subsequently, living standards have rapidly improved. France allows the French West Indies the same access to Federal funds as would be received if the islands were a community located in Continental France. The Dutch Government has taken a similar position in the Dutch Antilles, making sufficient capital and technical help available to bring about a reasonable standard of living.

(d) Jamaica and Trinidad, in a sense, already "have it made". They are industrialized, they have size, and they are generating capital. They have natural resources; there is hydro-electricity. Jamaica and Trinidad each manufacture automobiles, television sets, and telephones. They have knitting mills, cement plants, and a variety of manufacturing and processing companies. Jamaica has extensive mineral resources being developed. Trinidad has oil resources going back many years, which have been the mainstay of their economy, and these resources appear to be expanding with new discoveries. Jamaica and Trinidad are lively—they are lively politically and they are lively economically. They even have their own jet airlines. Their economies are years ahead of the little islands, and their needs are totally different.

(e) The average per capita income from the Little Seven is \$300.00 (Cdn.) a year. This compares with \$500.00 (Cdn.) for Jamaica and \$850.00 (Cdn.) for Trinidad. The island governments are taxing their people to the absolute limit, in my view. For example, a person who earns \$5,000.00 (Cdn.) on an average pays \$1,831.00 tax compared with a Canadian who at the same level would pay \$610.00 tax. Corporate tax rates average a flat 45 per cent. They can obviously go no further in this direction to raise the necessary development funds. I will not bore you with an

analysis, but having reviewed the revenue and operating budgets of the Governments of several islands, it is my opinion that these governments and their Civil Services accomplish wonders, by our standards, with the limited funds at their disposal. There simply is not enough money to meet the basic needs and there never will be until some country, hopefully Canada, provides the social capital and the "seed" capital to get the economies moving.

(f) The individual islands are very different. They are either volcanic or coral, except in two cases where they are both. The coral islands have a tourism advantage in that they are generally dryer with an abundance of white sand beaches. Antigua and Barbados are coral islands on which most tropical fruit will not grow because there is not sufficient rain or the soil is not suitable. The volcanic islands, such as Montserrat, Dominica, St. Lucia, St. Vincent and Grenada, are lush tropical islands with a great deal more precipitation, no shortage of water and no shortage of soil. They are great producers of bananas and other tropical fruit. The islands, even though they are only a few miles from one another, can have a totally different economic base.

(g) The Commonwealth of Barbados is much more advanced than the Little Seven in terms of per capita income and the inflow of outside investment. It has the advantage of a history of tourism, going back more than fifty years, and the government has shown great skill in managing the expansion of tourism in ways which enable this to contribute both to the economy and to the well being of the people. The economy today is roughly divided between tourism and sugar cane. Barbados has the most viable economy of the eight islands.

(h) These areas have proximity to Canada, perhaps not in statute miles but in travel time and convenience. Previous witnesses referred to Cuba, Central America, Haiti and other areas in the Caribbean. I would like to point out that in practical terms the Little Seven and Barbados are close to Canada and the northeast United States. They are relatively closer to Canada than other areas in the Caribbean. In terms of elapsed time, Montreal or Toronto to Antigua is under four hours, with 12 to 14 flights a week. Antigua to Jamaica is three hours, with only two flights a week on this basis, otherwise an overnight stop in Puerto Rico is required. One cannot go directly from Antigua to Cuba by air, or

by sea for that matter. Natural communications are north-south, not east-west. One can fly from Toronto to Antigua in two hours less time than it takes to fly from Toronto to Vancouver.

The Little Eight—Canadian rapport is long established, particularly with the Maritime Provinces. A staple in the West Indies diet for perhaps 100 years has been salt cod. Ships sailing from Halifax, St. John and Montreal were the life line of this area of the Caribbean for many years. West Indians still tell me about the days when Halifax schooners used to carry ice to the islands and how excited the youngsters became when they could pick up a chip or two of this curious commodity from Canada.

Air Canada has pioneered air service to the area with flights now originating in Vancouver, Toronto, Montreal and Halifax for Antigua and the other islands.

These islands share our tradition in law. All the islands, except St. Lucia, share the Common Law of Canada, and St. Lucia follows the Quebec Civil Code, chapter and verse. St. Lucia is also a legally bilingual country, French and English.

So much for the identification of these islands. You have already heard a great deal of the island history and why they need increased Canadian interest at this time. In the rather simple terms of a business man, what happened over the years, when these "sugar and spice" islands were considered wealthy, was that capital was actually leaving the islands. For all practical purposes, there was no capital accumulation. Very little was reinvested locally. The British Government, from time to time, invested money in the early days, for the most part to support their defence establishment, and during recent years through various grants in aid to meet current budget deficiencies. These grants in aid were never sufficient to develop the basic infrastructure which would then enable the islands to attract outside investment for manufacturing and tourism. The grants were rarely made on the basis of a planned program to achieve economic emancipation. Generally, they were given in response to urgent pressures, usually a crisis of one form or another.

When one is asked "What are the problems?" the answer is quite simple. The main problem has been lack of money; lack of social capital and lack of venture capital. This

has resulted in a high degree of both unemployment and under-employment. The unemployment on the islands averages between 20 per cent and 25 per cent; the under-employment might vary from 25 per cent to 40 per cent of the labour force. Under-employment stems from the fact that much of the work is seasonal in nature, and also lack of opportunities for certain skills.

A few days ago I asked the Prime Ministers of the islands by cable what they thought was required, and my cables and their replies are included in an Appendix to this paper. I note that the reply from Premier Compton of St. Lucia has an error in that it says he is receiving \$9 million (E.C.) from England and \$5 million (E.C.) from Canada. I think what he intends to say is that this is either what they want, looking forward to, or what they have had over the past few years. I suspect this is what he wants, looking ahead for the next five years. In any event, you might find them interesting reading.

I also asked some West Indies university students in Canada for their thoughts and they emphasized:

(a) Continuation of present Canadian Government programs.

(b) Greater support for developing the tremendous agricultural potential of the islands.

(c) Complementing assistance to Government by greater assistance to people, specifically for such things as better school lunch programs, more milk, and increased assistance in medical and dental services, especially in the rural areas.

In addition to the sound recommendations and comments on the needs of the entire Commonwealth Caribbean area, which you have already received, respectfully I submit the following recommendations...

The Deputy Chairman: I wonder if I could stop you there for a moment, Mr. Patrick. There are about seven more pages of the brief. Is it the wish of the Committee to have Mr. Patrick read the whole submission? It would take about another ten minutes.

Hon. Senators: Agreed.

The Acting Chairman: Very well, go ahead, Mr. Patrick. I just wanted to make sure.

Mr. Patrick: The recommendations are:

1. That your Committee look favourably on the proposition that the islands, which I have emphasized, are areas of special interest to Canada, without discrimination against other areas in the British Commonwealth, or indeed other developing areas in the world.
2. That these areas represent a project of the right size for Canada.
3. That Canada is able to put enough money and expertise into these islands to enable them to become viable.
4. That a five-year program at an average level of \$20 million a year, a little over 5 per cent of our current aid budget—that is total aid budget—would make a great success of the eight islands. This amount represents about \$27 per inhabitant of the Little Eight each year, and approximately five times—as I understand the present planning calls for—the amount presently planned.
5. That at the end of the five year period, these areas would be able to generate the capital required for the future.

Canada could then turn to other developing areas, having made a great success of this area. Let Canada make a great success of one area at a time.

If this policy is acceptable, my own contact with the community leads me to ask this Committee to consider the following specific spending approach.

(A) Accelerate the current Canadian International Development Agency (C.I.D.A.) program for schools, water development, airport improvements and technical assistance.

(B) Expand the C.I.D.A. program to include sewage, electrical and harbour installations and general services.

(C) Expand student scholarships to Canada and vocational training on the islands.

(D) Institute a greater flexibility in aid administration and waive the requirements for local government contributions for a period of at least five years.

(E) Encourage direct contact between Crown Corporations and Government Departments on the islands. (I am sure many Canadians in these agencies would be pleased to work with the Governments and people of the islands, especially during the winter months). Crown Corpo-

rations such as Air Canada, C.N.R., the Canadian Broadcasting Corporation, Central Mortgage and Housing, Industrial Development Bank, and the Departments of Transport, Agriculture, Trade and Commerce, National Defence, and Energy Mines and Resources, all have an abundance of specialists who could, I believe, at relatively low cost, make significant contributions to the development of the area.

As an example, the Department of Transport completed a most effective study of the islands' airport needs. The C.B.C., according to an announcement made by former Prime Minister Pearson, was to offer major assistance to broadcasting in the area. The Department of National Defence has carried out training exercises in Jamaica, no doubt with good effect. The premiers of the small islands have often asked that Canadians consider defence training in their areas, hopefully that the fall-out from these exercises will leave some public works such as improved roads or bridges. Air Canada has entered into an agreement providing money and management to Air Jamaica. This arrangement appears to be an excellent one and a similar one might be instituted with Leeward Islands Air transport, which serves the smaller islands.

(F) Create a separate Canadian mission to deal with Barbados and the Little Seven. This, because the areas are so different. The Little Seven already have their Eastern Caribbean Commission offices in Montreal and spend a great deal of their limited resources in maintaining representation in Canada. Barbados has a High Commissioner in Ottawa in addition to offices in Toronto and Montreal to promote tourism. Canada's only office in the Eastern Caribbean is in Trinidad with the High Commissioner accredited to Barbados also looking after the Canadian Government business with the Little Seven.

(G) Permit greater innovation in the overall aid program. This is a view I know is shared by C.I.D.A. President, Mr. Maurice Strong. For example, joint ventures between Canadian Government and local island government and these could include the private sector where it is practical.

(H) The Minister of Finance's White Paper, for which I have little enthusiasm, could be amended to offer tax incentives to Canadians investing in the area, on the premise that the more private investment, the lower the load or the demands on the Federal Treasury.

(I) Broaden the base for the Export Development Corporation to enable Canadian investors to have access to this kind of financing for hotels, condominium apartments and other projects which involve high Canadian content but perhaps not meeting the current percentage specified by the Export Development Corporation.

(J) Consider Canadian Government participation in the purchase of, or at least guarantee, local island bond issues. At the present time the interest costs of floating such issues on the public market are prohibitive.

(K) Develop a broad agricultural aid program to enable Canada to obtain the kind of products now purchased from other suppliers, notably the United States. In an earlier paper, I pointed out that in 1964 food, such as bananas, citrus, fresh vegetables, bought from warm countries by Canadians amounted to \$438,000,000 a year.

Will this money and effort work? Can the islands be made viable? In my opinion this can work and quickly. It has already worked in the French Islands, the Dutch Islands and the American Islands. In my opinion these islands will respond more favourably and more quickly.

There is also ample evidence that investment from the private sector will flow and sustain the growth rate of the economy once the "pump priming" effect of the Canadian investment program is realized. For example, low labour rates and improved efficiency in air freight methods make it natural for these islands to manufacture light weight but labour intensive products. Much needle trade and electronic components manufacture fits into this category, to name only two industries.

The unfortunate lack of planning on the part of our forefathers, dividing North America by an east west line instead of north south, has deprived us of the sun areas with which the Americans are so blessed—Florida, California, Hawaii, Puerto Rico, Virgin

Islands and so on. Sun seeking is a permanent feature of the leisure industry and we in Canada need access to a place in the sun. Preferably, nearby and preferably in a community where we are welcome. These islands fit that specification, and Canadian tourist presence in the area is most beneficial.

The potential for trade between the islands and Canada is quite fantastic. If we add the money spent by sun seeking tourists in Florida and other parts of the world to agricultural imports of about \$438,000,000, the total amounts to \$850,000,000 a year.

If we calculate the estimated rates of growth on these expenditures in ten or fifteen years, this figure could reach a staggering two billion dollars. Putting these islands in a position to compete for only 25 per cent of this sum would produce staggering results in relation to their present economies. It must also be emphasized that this two billion dollars is money which, in any event, will be spent outside this country due to the Canadian climate.

Expanding and accelerating Canadian private and public investment in the area should not and does not imply anything other than real aid. The Secretary of State for External Affairs has clearly stated Canadian policy, and in their many comments to me this is appreciated by the governments and people of the islands.

Canadians can be stalwart friends and help bring about a level of prosperity which will strengthen the present independence of these islands and make it possible for the island governments to realize their hopes and ambitions for their people.

If we do not help these islands on the level needed, I doubt if anyone else is going to. Great Britain has made it clear that she has reached her limits in this regard. The United States has shown very little interest, in fact seems not to have any policies toward these islands. Apparently both Great Britain and the United States have encouraged Canada to increase her participation in the economic growth of the area.

It seems that there are few alternatives available to the islands. I am convinced that a relatively small amount of Canada's annual external aid investment can produce concrete results to eight tiny developing nations, while at the same time providing a blueprint for the success of future external aid programs.

The Deputy Chairman: Thank you very much, Mr. Patrick. Senator Robichaud will lead the questioning.

Senator Robichaud: Thank you, Mr. Chairman. I am sure other members of the committee will join with you and myself in welcoming an ex-New Brunswicker before the committee. Mr. Patrick, your personal interest in these islands surely enables you to give first hand and most valuable information on the existing economy and also on the potentials offered for the development of those areas.

On page 1 of your brief, you mentioned your company's policy regarding the local investment of its profits. I am sure members of this committee would be interested to have your views on the behaviour of other Canadian investors in this regard. Is this policy of re-investing in the area, which you have mentioned as your own, followed by other Canadian investors?

Mr. Patrick: I cannot answer this question, senator, with precision. Most of the investors in the Little Eight or Little Seven in Barbados are in the hotel development and related areas. Believe me, this is the kind of investment which requires new capital in order to expand. I do not think there are many people taking money out of the islands. For the most part, our policy is not unique in this regard.

Senator Robichaud: I know that most of us share your enthusiasm regarding the potential for the expansion of the tourist trade. In your view, if the tourist trade were to continue on such a large scale as you propose in your brief, what proportion of the work force—referring to the Little Eight, for example—could be involved—that is, if the tourist industry were developed almost to its maximum.

Mr. Patrick: It will vary with the islands, but Antigua, for example, is a very poor island in terms of agriculture. Sugar has been a catastrophe over the years. They did not even harvest a crop last year. Therefore, the bulk of the income is from tourism. They have an oil refinery, which is the other source of outside revenue in Antigua.

I would think that, with the support staff for tourism, probably 40 per cent of all employed people on an island like Antigua would be involved.

The Deputy Chairman: At the present time.

Mr. Patrick: I would think it is less than that at the moment, but I think this is what one could look for.

Senator Robichaud: And for what period of the year would they be employed, approximately for how many months?

Mr. Patrick: The seasonal nature of tourism is a problem. If you follow the development of tourism from, say, Florida to the Bahamas, to Barbados, you will find that every year the off-season becomes less and less a problem. In Puerto Rico now, the tourist business in summer is equal to the business in winter. In Barbados tourism and numbers employed are about the same during the off season, but the rates are lower. Other islands have a very serious seasonal problem. With size, as the tourism business grows, this characteristic will disappear—in other words, it can be a 12-months-a-year business.

Senator Robichaud: In your opinion, what has been the reaction of the local population to the development of tourism? Are they reacting favourably? Are they prepared to co-operate? Do they see the advantage that could come to them from such development?

Mr. Patrick: Personally, I have never found any opposition on the part of either the governments or the people to tourism. I am now speaking of the Little Eight. Perhaps one of the reasons is that on the smaller islands they know that tourists bring instant cash and instant employment. Also I think the governments have been fairly skilful in presenting tourism in the right light and getting the support of the public. I do not feel there is any problem there.

The governments will not allow any little white communities to develop. If you are going to be a tourist, you must identify yourself with the local West Indian community. All the island governments have protected the beaches from becoming private beaches, and many steps have been taken which, I think, will ensure a good relationship between the tourist and the West Indian communities.

Senator Robichaud: Is there a growing tendency for these islands to try to grow more of the food which will be used by the tourist trade?

Mr. Patrick: This is an area which requires a great deal of technical help, and it is one of the problems I think Canada could move on and solve quite quickly. In order to have

more money stay in the islands, obviously there should be more production of the kind of things Canadians and Americans want. They do not all want West Indian foods; they want green peas, steak and potatoes, and these things are not readily grown on the islands.

Senator Robichaud: Do they have adequate facilities now to handle those foods?

Mr. Patrick: These facilities are coming up slowly. The hotels have green peas shipped in from Canada and the United States, and such items as iceberg lettuce from Florida and Texas. There has to be a carefully planned labour program. After all, they have the sun, rain and soil, and they can practically produce all their food requirements. They can produce good beef and most of these things Americans want. In fact, in Martinique and Guadeloupe they have gone into this on a fairly large scale. So, this is an important area for help by us.

Senator Robichaud: Your brief urges special Canadian emphasis on Barbados and the "Little Seven" islands. I am sure you will agree with us that in recent years Canada has been moving in this direction. These islands have also been receiving concentrated attention from the United Kingdom, and it seems to us that there is at certain times some confusion existing as to the respective feelings regarding the present associated status. Would you consider that this, if I could call it, ambiguous political situation may have some influence on Canada's development program towards these associated states and for the one island which is still a colony?

Mr. Patrick: As you know, the associated states are independent, except on matters of foreign policy and defence. I remember that when I was first active trying to express to Canada the needs of the islands, we were not allowed to become involved too actively because we were told we would be interfering with the internal affairs of Great Britain. Of course, this view has changed drastically since the 1966 conference. In other words, we are now dealing directly, although I am sure there is an exchange of information between Great Britain and Canada in respect to the aid program. If what you are asking is: Does it tend to muddy the waters a little? I think perhaps it does, but I think perhaps in view of the recent colonial history of the area we are slow starters. If we had been involved many years before we would have a much

better grasp of what is needed and we could do what is needed.

Senator Robichaud: I gathered from the last meeting of the Caribbean states, the meeting last May of parliamentarians in Antigua, that there was a feeling of that kind existing.

Senator Connolly (Ottawa West): Could I ask a question supplementary to yours, Senator Robichaud?

Senator Robichaud: Certainly.

Senator Connolly (Ottawa West): I wonder if Mr. Patrick could indicate, if he has the information, the size of the development aid given, either by way of grants or loans, by the United Kingdom to these islands and by Canada—even in a rough way.

Mr. Patrick: I have not the specific information. The Commonwealth Development Corporation has invested about \$50 million, or the equivalent in Sterling in the entire British Caribbean, not just the Little Eight. These investments are in the form of hotels, like the Caribeach hotels which are 90 per cent owned by the Commonwealth Development Corporation, electrical services and other enterprises, and are intended to be serviced at commercial rates. I think this has been a good thing.

The grants in aid that each of the islands received prior to becoming associated states have mostly been terminated. In the case of Antigua it has not received a grant in aid for several years. Saint Lucia does not receive grants in aid but does receive loans. Barbados is not, to my knowledge, receiving anything from the British government. Montserrat receives a grant in aid. I think if you add up the Commonwealth Development Corporation and the various loans, the amount of money is probably about what we are putting in there now, and probably a little more.

The Deputy Chairman: I take it, Senator Connolly, you are referring to official aid?

Senator Connolly (Ottawa West): Primarily official aid.

Mr. Patrick: The Commonwealth Development Corporation is owned by the British government, as I understand it, and is an agency of the government.

The Deputy Chairman: Our research staff has been working on these figures, and I believe they have found them extremely difficult to obtain. They relate also to the ques-

tion that has been before the committee as to what extent there is an actual withdrawal of British official aid from the Caribbean area. We are hoping that our research staff will come up with those figures in due course.

Senator Connolly (Ottawa West): I do not want to interrupt Senator Robichaud, but it seems to me that the point he started on is so vital that I might be allowed to ask one more question, and then I will desist.

If the Commonwealth Development Corporation continues its work—and I take that it is mainly in the area of hotels and facilities of that kind, which in turn would produce a return for the investor—is there any possibility that the people who are in charge of Canadian aid would say: “Well, the United Kingdom is making an investment that will provide a return, while Canada is asked to provide the infra-structure and the facilities upon which there would be no return”?

Mr. Patrick: I think that the External Aid people—Maurice Strong and the people I deal with over there—have tended to go into roads, water, and that sort of things, and they have tried to set up the projects so that they are viable. For example, they would put in a water service and have then insisted upon an organization in each country that will collect fees for the service. One of the problems in the Caribbean is that it is all very well to build a road, but if there is no revenue to support the road then that road goes to pieces within a few years. Water systems and other services are in the same category.

I am not sure that I understand your question, but I do know that all of the islands would be glad to get money on a grant basis, and they would be happy to have it on a soft loan basis. They would be willing to accept money at commercial rates for any operation which can service the loan. In fact, we have been asked to negotiate loans on this basis on several occasions, but we have never been able to get money, except for Barbados, because the market will not invest in the smaller islands even with government guarantees.

Senator Robichaud: On pages 9, 10 and 11 of your brief you make specific recommendations, and you say that if these recommendations are implemented they can result in a self-sustaining growth in a period of five years. I have two specific questions in respect

to these recommendations, the first one of which is: Do you really believe that such results can be obtained in the short period of five years and, if so, can you tell this committee how such a rapid development, should it take place, will affect the prospects for fuller integration of these Little Seven Islands with the larger islands?

Mr. Patrick: The first question is: Will this seed capital turn the situation around in five years? I think it will. My reasons for making such a statement are developed from my monthly contacts with the area. I find that these little islands are now being discovered by this continent. Five years is a rather long time under the present pressures. If we can put in the roads, the water services, and the sewerage systems, and so on, and thus enable the hotel industry to develop as was mentioned earlier, then the supporting service industries will develop around it. There will be a long way to go, but in five years I think we will be out of that period in which they would be dependent upon government grants or gifts from Canada. I think their economies would then be viable.

The Deputy Chairman: I take it that we are talking now of \$20 million a year, for a total of \$100 million?

Mr. Patrick: Yes, that is right.

The Deputy Chairman: And this, you say, will be sufficient to generate the capital required?

Mr. Patrick: From there on I think the outside capital would come in. There is enough evidence of this, you know, in Puerto Rico. Puerto Rico was a dreadfully poor area. I was there before the war, and during the war. Their per capita income went up over ten times in eight or nine years. There are two or three interesting figures that I might cite in this regard. The public money or the federal money from the United States that went into it at the beginning of “operation bootstrap” represented 80 per cent of the total new investment in the island. At the end of ten years the private money comprised 80 per cent of the total invested.

These are smaller situations, and are more capable of rapid development than is a large and complex community like Puerto Rico.

Senator Robichaud: My second question is: In what economic direction would such aid be available to the smaller islands? As an exam-

ple, would specialization in agricultural production be the answer, and in such a case what specific benefit can they receive from CARIFTA?

Mr. Patrick: To go back to your first question I should like to say that the thing we have to remember about these islands is the tremendous difference between Antigua and St. Lucia, or Barbados and Dominica. What one does in Dominica would be very different from what one does in Antigua.

First of all, money has to be spent on such things as roads. There must be the basic infra-structure, and then would follow the development of agriculture, but, as I pointed out, the light weight but labour-intensive products offer the key, and especially during this period when labour rates are extremely low. This would create a great deal of employment, and with airplanes carrying much greater loads over greater distances at a much lower cost we can contemplate Antigua and St. Lucia for example producing needle trade goods for shipment to New York and other markets.

In Puerto Rico they did not have any skills at all. There were not any professionals to speak of there, and they got into making neckties and dresses. They did not even get into fashion clothes until they had been at it for a year or two.

Barbados has also proved that this policy is the correct one. They have built their first computer component plant near the airport. These are items that have a high labour content, and they can compete on the British and American markets.

Senator Robichaud: You also indicate that a special interest by Canada could be pursued without discrimination against other areas in the British Commonwealth or, indeed, other developing areas in the world. As a matter of fact, the records show that in 1968-69 the Little Eight and British Honduras received more than \$7 per capita from Canada, and this was 35 times the total amount spent by Canada in India and Pakistan, and it was seven times the level of assistance given to any other country outside the Caribbean. In 1969-70, the current year, this allocation will be close to \$12 per capita, which is an increase 80 per cent or more in one year. That makes a total of \$7.5 million. I notice that somewhere in your brief you mentioned that the assistance was \$4 million.

Mr. Patrick: I picked that information out of briefs already presented. I did not check it out with External Aid.

Senator Robichaud: I think our information shows it is \$7.5 million and not \$4 million.

The Deputy Chairman: If I may interrupt, this may be the difference between allocation and spending.

Senator Robichaud: It could be, although for the present year, 1969-70, it is difficult to determine at this stage what the actual spending would be. I think we did receive some information in this regard from a previous witness.

The Deputy Chairman: Mr. Strong told us, in effect, they are about a year behind in spending approved allocations.

Senator Robichaud: Mr. Patrick, could you explain to this Committee how this aid could be substantially increased, say at such a rate as you suggest, without discriminating against other areas in the British Commonwealth? After all, we know, and we have to recognize, that Canada's resources are limited; there is a limit to what we can offer as external aid to developing countries.

Mr. Patrick: I am over-simplifying things, of course, but when I say "without discriminating" all I am really saying is that five per cent here or there on the balance of the money will not materially affect what happens to people in India, Pakistan or other parts of the world. What I am saying is that there are several ways of approaching the problem. The whole world needs help of all kinds. Here we have a model, a tiny sample of what needs to be done. Let us do the work sequentially; let us do one job extremely well, and when we have launched that ship and it is on its way, concentrate on others. The net cost to Canadians over a period of years might even be less because we have created a viable situation in this community. Let us say this is a non-political business approach to the problem. I am saying that if we do it right now, in five years we will not have to give any more money to these islands.

The other thing is that I feel we have a very, very interesting model here of people who are poor and need help, who are easy to communicate with. My last point in the paper is, if we make a great success of this it could be the basis for perhaps a different approach on the next round in India or other

areas. I do not suppose that any Indian knows he is getting any help from us. How do you spread what we do over that many millions of people? But the West Indian is going to know that he is being helped by this northern white country.

Senator Robichaud: I know that some of my colleagues have many more questions to ask, and this will be my last question, just to keep the record straight. You mentioned in your report that you had sent a telegram to different premiers of these islands, and in Appendices A-1 to A-10 you give in detail the replies you received from those premiers. I notice with interest that all of them seem to emphasize the need for assistance towards better education, and they have requested school facilities; in other words, school, water, airports and technical assistance seem to be their main demand. These cables have been sent on your own initiative, and not at the request of or on instructions from this Committee?

Mr. Patrick: Not at all. I sent a cable, a copy of which should have been filed, saying that I was appearing as a private citizen before this Committee and would like to know their answers to those questions in order to complete my brief. It was not easy to set up a graph showing what these people thought, so I believed it would be simpler if I just put in the total of their replies. You will notice that Grenada did not reply.

The Deputy Chairman: I am glad you raised that, Senator Robichaud, because I must say that in reading the brief I had some concern on that same score.

Mr. Patrick: This is a private matter. I emphasized in my cable that it was a private matter, that I was appearing as a private individual.

The Deputy Chairman: Just for our record, would you let us have a copy of that, because in Appendix A-1 all we have are the questions. I think the members of the Committee would want it emphasized that this was a personal initiative on your part, that it was not discussed with the Committee, or done on the initiative of the Committee.

Mr. Patrick: That is so.

The Deputy Chairman: I am not being critical, because I think the Committee would agree that you had every right to obtain any information you wished before coming here.

However, it would be rather different for you as a private individual to request this information from the premiers than if such a request came from the Senate Committee. I do not think we ourselves would presume to ask the premiers to give us this information. It is important, I think, that that be clear on the record, although again I am not saying you should not have presumed to do it, if that was your wish. Indeed, the answers seem to provide us with some very interesting information.

Senator Haig: Mr. Patrick, what is the currency used in these islands?

Mr. Patrick: It is the Eastern Caribbean dollar.

Senator Haig: What is that in relation to Canada?

Mr. Patrick: About 53 cents Canadian.

Senator Haig: So \$2 Caribbean equal \$1 Canadian?

Mr. Patrick: Yes.

Senator Haig: What is the labour situation? Unions?

Mr. Patrick: All the islands are very much unionized, and most of the governments are labour governments.

Senator Haig: What is the political stability of the islands?

Mr. Patrick: In my view there is a good, healthy political situation on all of the islands.

Senator Haig: No question of nationalization of foreign companies?

Mr. Patrick: No. I think that is the furthest thought from anybody's mind.

Senator Haig: We have heard that tourism does not produce the income we think it does, that the profits are being taken out of the country, and some of these countries are requesting a certain percentage of local participation. Is that true?

Mr. Patrick: I have never experienced this. There is a legitimate concern by the governments, based on the subject we have discussed, that too much money is spent on satisfying the North Americans' needs down there. Hotels are built, but nobody is now making refrigerators, for example down there. Maybe they are in Trinidad, but not on

the individual islands. A good part of the food has to be imported. The governments are all working towards generating these products locally, or as many of them as they can. Most hotels operate on the basis of incentives granted by governments, permitting the importation of these things and not interfering in any way. For example, all the eggs used to be imported, one could not get fresh eggs, but now there are poultry farms producing the eggs used by the hotels. The new hotel builders give notice they will have a hotel ready in a year and a half and will require so much meat, lettuce and so on so that the supplies can be made available. The islands are trying to do this.

Senator Haig: How about the Secretary of State for External Affairs? What representation have we got on the ambassador level, or that of *chargé d'affaires*?

Mr. Patrick: The representation is through Trinidad. We have a high commissioner in Trinidad, accredited also as high commissioner to Barbados, and this office in Trinidad conducts the affairs with the smaller islands. I am not sure of the relationship, but it is based in Trinidad and all communications with the islands from here must go through the Trinidad office. We have no presence on the island as such.

Senator Haig: When you go to an island and start a new business, whom do you deal with? The government?

Mr. Patrick: If I am going to open a business or even buy a business—as I have done in Antigua—naturally I would talk to the vendors. But before completing the transaction I would sit down and talk to the government, tell them who we are and what our policy is, so that they would know us and we would know whether they want us. If they do not want us, we would not make the purchase.

Senator Haig: Does your man from Canada have a work permit?

Mr. Patrick: We have no problem whatever in sending Canadians down to work. I have had a lot of experience with the Eight Islands in this connection. Any reasonable request has been granted. For example, if we wanted to take a stenographer down there from Toronto or Montreal, she would not get a work permit unless we prove that a qualified stenographer is not available. We have never had any interference with the business.

Senator Haig: What is the literacy figure?

Mr. Patrick: It varies considerably. The Barbados has about 100 per cent literacy. In the other islands, I really cannot quote the figure but there is a high rate of illiteracy on the other islands.

Senator Haig: Do those people who come up here for study, in either the United States or Canada, do they go back?

Mr. Patrick: They want to go back, senator. At least, many of them do. Many want to stay but many want to go back. I am in contact with a number of graduates from the islands, waiting for an opportunity to work in their own country. It is a very difficult decision to make. A young man who graduates in engineering can make \$10,000 a year in Canada to start, to make this kind of money in the islands is impossible. He might make \$5,000 West Indian dollars, which is \$2,500 or \$2,600 Canadian, and there is a very high rate of tax. It is a very difficult decision to make.

Senator Haig: Where is the advantage of a Canadian going down there—with the corporate tax rate of 45 per cent. Is the labour cost low?

Mr. Patrick: To begin with, the tax advantages for new ventures—for example, a hotel—mean one can negotiate an eight or ten year tax holiday. But the tax rate, as you say, is high.

Senator Connolly (Ottawa West): Does this holiday apply to income tax, too?

Mr. Patrick: The corporate tax is 45 per cent. The tax holiday is not on personal income tax, only on the corporation income.

The Deputy Chairman: Does it apply to real estate taxes?

Mr. Patrick: There are practically no real estate taxes. There may be some in Barbados.

Senator Robichaud: What about the cost of land?

Mr. Patrick: In the West Indies, the land is one thing the man owns and understands and he is very reluctant to sell. There is very little to sell. Take an island like Dominica—most of the land is vertical, it is so mountainous.

Senator Haig: Do you buy by the square foot?

Mr. Patrick: Yes, or buy plantations by the acre.

Senator Haig: For development, for a cottage or a condominium on the lake, do you not buy by the square foot?

Mr. Patrick: We have five or six developments, they are all subdivided and zoned, so it is by the square foot or by the acre, depending on the size of the project.

The Acting Chairman: How much would it cost Senator Haig to get a nice waterfront property for his winter retirement?

Senator Haig: When I was down there, one place in Jamaica that cost \$80,000 to build could be built in my province for \$20,000. But it had a view.

Senator Fergusson: Why did it cost so much? Is it the labour?

Senator Haig: The labour—and import tax of the material—and the long time of labour.

Senator Fergusson: Do they not have the right kind of materials to build?

Mr. Patrick: Most of it is masonry, cement blocks, and other common materials. I cannot speak for Jamaica, as we have nothing there. So far as Antigua is concerned, and the eight other islands, the cost for that is quite low. You get into high labour costs when you get into mechanical labour which you cannot always find locally.

Senator Haig: Where do they get the cement blocks?

Mr. Patrick: The cement is produced in Trinidad and they take the sand off the beaches or pump it out of the sea.

Senator Connolly (Ottawa West): It is an industry?

Mr. Patrick: They are making cement blocks, yes.

Senator Haig: Is there necessity for communication by ship between the islands, or do you have to go by air?

Mr. Patrick: We have communication by ship. The *Saguenay* goes to all the islands. The Federal ships serve the area. The Harrison Line from the U.K. goes to all the islands. There is a fair amount of movement of materials by sea. I would say that 95 per cent of the people move by air.

Senator Haig: You mentioned also imports, that we should start importing fruits and so on. What about quality control, and delivery? If one orders so many pounds of a product, can you guarantee delivery?

Mr. Patrick: No. This is the area of aid that I think is vital to this community. Citrus and other tropical foods, and even foods that are not tropical—lettuce, celery, tomatoes—all these things can be grown. But it is going to require massive educational programs to teach the farmers how to do it, and the packing house how to grade the product and pack it to our standards. It can be done. Van Geest set up the banana industry in the Windward Islands and has created, in areas formerly dedicated to sugar, a good and profitable banana industry. Bananas are grown to the highest standards. They are using the right techniques to grow them. They are graded and packed properly, and shipped every week to the United Kingdom. It has been the salvation of the Windward Islands, because sugar as a market collapsed and if it had not been for the bananas I do not know where they would be today.

Senator Cameron: We should compliment Mr. Patrick on the initiative and interest he has shown in this area, which certainly is of direct interest to Canada. I would like to ask him one or two questions. The poorest tourist dollar value in the world is in the Caribbean. While the potential market is tremendous, in terms of modern aircraft and so on, many Canadians who have the choice go to Hawaii, to southern California—

The Acting Chairman: Banff!

Senator Cameron: I am thinking of the winter—or they go to Europe, to southern Italy. But, touristwise, the value you get is much poorer in the Caribbean than anywhere else I know of, and I have been around a good deal. That is one of the first obstacles, and I think something would have to be done about this. I went down there a year ago last January to a meeting of the Chambers of Commerce, the development boards, and so on, and it is true that they were offering attractive incentives, in terms of tax holidays, grants and so on, but the people who had an interest in going into the area were in the tourist business and they wanted to be sure of two things: (1) political stability; and (2) economic stability. In spite of the rather attractive incentives, they still were not convinced.

There are a number of factors which detract from the attractiveness of the picture. One is the low productivity of labour in the area. In part, this stems from low educational standards, lack of managerial skills, and so on. What comment do you have to make on this kind of situation, which is a real one?

Mr. Patrick: Senator, you have asked about 15 questions, and I think they are all extremely interesting and important.

I would like to talk, first, to the point of lack of value in the eastern Caribbean, and I speak from experience. I owned three hotels down there, and I lost my shirt. If I could get \$100 a day I still went broke, and I got rid of them. The hotels were too small and you cannot make any money in small hotels if you only have 12 weeks' load per year. The basic problem relates to size. With the new airplanes and new airport facilities, larger hotels and larger complexes will develop, and as size increases you lengthen the season and finally get to a 12-month season.

As far as the Caribbean is concerned, the real value of the "Little Seven" and Barbados is that they have no equal anywhere in the world when it comes to climate. There is no point in comparing Florida, where you are going to freeze to death at Christmas, with these islands where you can get an ensurable temperature range, and this climate is year round and it is much more pleasant in Saint Lucia in summer than in Miami or, in fact, anywhere in North America. I am convinced that as the industry grows it will compete with any other part of the world or, at least, with places like Hawaii and the southern states.

Senator Connolly (Ottawa West): Would the development of these small islands compete with the development in the other Caribbean islands?

Mr. Patrick: Very definitely. Mind you, on the question of cost, in, say, Curacao or Puerto Rico—you do not save any money by going to Trinidad or Puerto Rico instead of Saint Lucia or Barbados; the winter rates are about the same. However, we are not going to compete with some areas in Europe, and certainly not Spain, but, then, Spain has not that climate anywhere, nor has the Mediterranean. However, no one is making any money out of the hotel business down there. Well, "The Anchorage" makes a little money in Antigua, but nobody else does, and the Marmora Bay Hotel went under twice.

Senator Cameron: Barbados has probably done better in developing medium-priced hotels, when you get away from the Hilton and...

Mr. Patrick: ... and the "Sandy Lane."

Senator Cameron: They are better value there. It seems to me that if you are going to establish a large-scale hotel operation it must meet the pocketbooks of the majority of the people, and it is certainly not the "Trinidad Hilton," the "Jamaica Hilton" or any of those.

Mr. Patrick: This is the direction the new hotels are going to go in. In the past, the hotel builders on the small islands were rarely professional hotel people. It is only now they are beginning to get the pros down there. "Holiday Inns" are on two or three islands. The "Hiltons" do a good deal for the hotel industry and bring a professional standard to these islands, but it is a question of size and getting the amateurs out of the hotel business. We own two hotels in the Laurentians, and the amateur really is a problem in the hotel business—the "mom and pop" deal.

Senator Cameron: Coming from a resort area, I know exactly what you mean. I am wondering if the kind of people who patronize, say, the "Trinidad Hilton"—and I am only using that as an illustration—who go there for a holiday and spend a lot of money, people whose way of life and whose attitudes are so different from those of the people serving them, may create this feeling of resentment on the part of a lot of the people. Do you think there is anything to it?

Mr. Patrick: At least at this stage of the development the need for employment is such that the West Indian has certainly been an extremely good person to have in the hotel. You mentioned productivity. We have not had any complaints as far as productivity is concerned. If a man is given the same tools and the same training, he is productive. We have 350 employees in our company in Antigua and we are perfectly satisfied with the work performed by these people, bearing in mind the tools with which they work and their training. I do not feel these islands will fail to meet that challenge when it comes. I think they will be sufficiently productive to become competitive in the international situation.

Senator Cameron: I notice that all the replies you received to your cable stressed the need for vocational training. I wonder if added to that is training in managerial skills.

Have you found this to be in very short supply?

Mr. Patrick: Yes, this is a real problem. We have had a very good experience, but we did send our West Indian managers here for training and it worked out extremely well.

Vocational training would have been meaningless five years ago. It is really a symptom of how quickly things are changing on the "Little Eight." You have a hotel of 700 rooms being built and the government realizes you have to bring in 50 electricians from Miami or Canada, and they can see projections into the future, with insufficient qualified local people and this is why the panic button is being pushed on vocational training.

Senator Robichaud: They had special training for hotel staff in Antigua, for example.

Mr. Patrick: They have a hotel school in Antigua. The United Nations supplied a good instructor, and we have used their graduates. There is some kind of a training establishment on most of the islands. Right at the moment the Canadian Government is talking about putting in a large hotel school in Barbados to train people in the hotel business for all of the islands. The island reaction is that this is satisfactory in respect of executives and managers, but the bartenders and the waitresses should be trained on the individual islands.

Senator Laird: We have had evidence given before this committee to the effect that doing business in Guatemala and the Dominican Republic was difficult because of the different approach there to business problems. As far as I could understand, the problem was one of frustration in that they do not do business in the way we do business. You have had much experience in this area. Do you find that this is ever the case?

Mr. Patrick: We have had a perfectly happy experience with all of the islands of the Little Eight. We have never run into any problem in dealing with the governments there. They either say Yes or No, and we have never been given a bad time. As far as Haiti and the Dominican Republic are concerned, we have also negotiated in those areas, and we could not get anywhere.

Senator Laird: So there is a definite contrast between these areas?

Mr. Patrick: Yes. I have met with people like Premier Bird, Premier Cato, Premier

Compton, and Prime Minister Barrow, and I have found them stimulating and wonderful people to sit down and talk to about a business situation. They seem to be extremely well informed about their own islands and government business. So, when you have a meeting with these premiers or members of cabinets you do get a pretty direct answer. I have no complaints.

Senator Cameron: You made an interesting comment about the Dutch, the Americans, and the French, and the amount of capital they have poured into this region.

Mr. Patrick: Yes.

Senator Cameron: Have you any idea of how the contribution of France would compare on a per capita basis to the contribution you are suggesting we should make?

Mr. Patrick: Senator, I shall have to guess. I would say that France had to put in more money per capita, than the amount I am talking about, in Martinique and Guadeloupe to achieve the results they have achieved in such a short time. I was at a meeting in Curacao with the Governor last summer, and I think he told me that they were receiving in that area—and they are very tiny—200 million as a credit from Holland, and this is greatly in excess of anything we are talking about.

The Deputy Chairman: Over how long a period would that be?

Mr. Patrick: This was a credit that was being set up, and no doubt it would be distributed among several projects. This would be a fund with which they had to work. It would be a rotating fund. I can only guess it would be spent over a period of five years.

Senator Connolly (Ottawa West): What public would these Dutch and French islands service? Would they service the same travelling public as the Commonwealth islands?

Mr. Patrick: No, Martinique and Guadeloupe get quite a lot of business from North America, and a fair amount of tourists from Quebec. The Quebecers like to go into a community that speaks French, but I would say that the people who go there are mostly from France.

The Deputy Chairman: Are you speaking now of the three Dutch Islands off Trinidad, or the ABC islands, as they are called? What would their population be?

Mr. Patrick: I think on the whole lot it would be about 75,000.

Senator Cameron: Mr. Chairman, it would be useful to the committee if the secretary got some of this information for us. It would be useful to know what has been the per capita expenditure over a fixed time span by the Americans in Puerto Rico, by the Dutch in their islands, and by the French in their islands. That might be a useful yardstick to have.

The Deputy Chairman: I agree entirely, Senator Cameron. I am sure that our research people will look into this, because there seems to be a great disparity. It is doubtful that \$100 million over five years, as Mr. Patrick suggests, will do for a larger population what, in the Dutch case, seems to take a revolving credit of \$200 million. I am not saying that that disparity is not explainable, but it does seem to be there.

I think too that we should try to get an assessment of the results that Mr. Patrick speaks about. I think he used the adjective "fantastic" in relation to the results in Martinique and Guadeloupe. Would you give us some idea of the results, Mr. Patrick? Are they in an increase in per capita income, or an increase in exports? What is the type of result that has been achieved?

Mr. Patrick: To begin with, in Martinique and Guadeloupe, the housing not long ago was dreadful. A storm went through there, and they lost between 10,000 and 12,000 houses. It is unfortunate to lose as many houses as that, but those houses were such that a 40 mile an hour gale would knock them down. De Gaulle visited the islands, as a result of one of his senior staff being a Martiniquan, and when he went back to France he immediately changed everything. Within months there was a program to provide modern school class-room accommodation for every child on the French islands. If you go there today you will see as nice schools as you will see in Toronto or Montreal.

The roads were third-rate, and much worse than on the British islands, but now there are four lane through highways, like the Laurentien Autoroute. It used to take an hour to go from the airport on Martinique to Fort du France, and it now takes ten minutes.

Every single human being can have a good home in modern apartments, some high rise,

on these two islands. Across the whole island you see these high rise structures. The apartments are leased at rents that the people can afford. I am told there has been no effort to make these viable propositions. Prospective tenants are told that if they make \$20 a week their rent will be \$7, but if they are making \$100 a week then their rent will be \$20.00. The transformation that has taken place there is almost miraculous.

The people now produce their own meat and vegetables. If you want a lettuce there, then you can get it.

Senator Cameron: France's success in this area was possible because it could concentrate on a relatively small area, whereas so far as the Commonwealth Caribbean is concerned Canada's interest is very widely spread. Is not that a fact?

Senator Connolly (Ottawa West): What about the Dutch West Indies. Have they been looked after pretty well?

Mr. Patrick: Extremely well. I cannot quote you figures, but the main interest there has been in oil refineries. These huge oil refineries, off the shores of Venezuela, have tended to employ a lot of people at high rates of pay. The automating of the refineries has created a reduction in employment. This caused them to develop their tourist industry so that it took up some of the slack, and serious unemployment did not result.

Senator Laird: How do you account for those riots in Willemstad? I have been there, and it looked like a nice city, and then there were the riots. How do you account for that?

Mr. Patrick: I asked Premier Compton the same question when I was there a few days after, and he said that the demonstrators formed up this gathering some miles out. It was a hot day and the sun was high. This crowd stopped at various places for refreshments and by the time they got into town they were uncontrollable. This information fits in with what I understand might have happened.

Senator Cameron: Were there racial overtones in that?

Mr. Patrick: There could have been.

Senator Laird: Bermuda is not strictly in the Caribbean, but I was there last year after the riots, and I came to the conclusion that the riots were caused by the sort of social un-

rest that Senator Cameron mentioned—the diversity between the tourist and the worker, plus a second factor, which is marijuana.

Mr. Patrick: We ought to identify these eight islands as being notably different in this respect from Curacao, Bermuda, and the Bahamas. The reason for this is that in one way or another the black man in these eight islands has achieved elected responsible government of his own people. Until Pindling got into the Bahamas this was not the case, and certainly not in Bermuda. I know Bermuda, as I had a home there for two years. My children went to schools that were white, and coloured children went to coloured schools. This kind of colour problem or tension does not seem to exist in these eight islands. It is not just the government. J. Q. Charles in Saint Lucia is a coloured man who as a youngster carried a sack on his back, and is now a millionaire because he was enterprising. The lawyers are local coloured people who have made their way. This root cause of tension which occurs in parts of the United States and in other parts of the world does not exist in this area, for these reasons.

Senator Fergusson: Mr. Chairman, I would like to tell the witness that there are two reasons why I am particularly interested in his presentation. One is because, like Senator Robichaud and the witness, I come from New Brunswick. We are always glad to see another New Brunswicker being good, which is certainly true in this case. The other reason is that although I have visited the Caribbean, I have never been to Antigua. I intend to go there early in January. You have made so many references to Antigua and what your companies are doing there that I am very much interested and hope to visit some of those places.

I would like to ask you about radio and television broadcasting. What is there down there? Did I understand from this list that you gave us of the Marigot Investments Limited that the Grenville radio is owned by your companies?

Mr. Patrick: No, we have a small position in this company. It is owned and controlled by Antiguans.

Senator Fergusson: Antiguans own it?

Mr. Patrick: Yes. It is being constructed. I should explain that this is the kind of project we would like to carry out more and more, where we brought some specialized knowhow

and some money into that situation. The company is Antiguan and the control is in their hands.

Senator Fergusson: Do they have both radio and television?

Mr. Patrick: Yes. Going down the islands, Antigua has a radio station and a very small television station capable only of covering the island. Barbados has radio and television. Trinidad has radio and television. The other islands have a radio service. The Windward Islands have what is called W.I.B.S., the Windward Islands Broadcasting Service, which originates in Grenada and is government-operated. Montserrat and Saint Lucia have stations which are operated to serve the international community. There is a station in Saint Lucia which broadcasts only in French and sells its advertising to the French islands. In Montserrat a station is doing the same thing for the Dutch islands.

Senator Fergusson: What telecommunications systems do they have?

Mr. Patrick: The telephone systems are getting to be first class now, just the same as we have here. In the past it had been the most dreadful service. When you go to Antigua you may not yet have a good telephone service.

Senator Fergusson: This is what I understood.

Mr. Patrick: You might have it. It is supposed to be functioning about now, but they had some problems with the contract. All the Little Eight have what is essentially the same telephone system. Cable and Wireless of England installed it. They are all connected by either microwave, scatter-wave, or coaxial cable.

Senator Fergusson: You mentioned that in Trinidad they make cement from the sand. Is the sand at Antigua suitable for that sort of thing?

Mr. Patrick: You need limestone for cement, of which there is plenty in Antigua and in Trinidad. The economics, of course, may not justify a cement plant in Antigua.

Senator Fergusson: No, but the sand and other materials that you need would be suitable?

Mr. Patrick: Yes, for making cement blocks.

Senator Fergusson: You would not have to import too much.

Senator Connolly (Ottawa West): CARIFTA might help with that.

Mr. Patrick: Yes. CARIFTA is going to be fairly rough on the Little Eight islands until they can get a product they can make. Do not forget that CARIFTA has Jamaica and Trinidad as producers. I think that it will take quite a while before there can be any real advantage, there might even be a disadvantage to the little islands, because they need the revenue so desperately that to give up their duty without having offsetting income from selling a product would be difficult.

Senator Fergusson: You mentioned that we use tropical fruits from the United States which we might import from these eight islands. Why do we never import those little sweet bananas that are produced in the Caribbean?

Mr. Patrick: We used to have them before the war. Our "Lady" boats used to arrive with bananas, among other things. Most of our bananas are imported from Ecuador now. I have looked into this matter on several occasions. It takes an extremely competent organization to produce enough to supply Canada year round. United Fruit and similar companies have this organization but we do not have anyone who can do that for Canada, as far as the West Indies is concerned.

Senator Cameron: You mentioned this \$428 million imports of fruits and citrus fruits. I have wondered about this a good deal and talked to the people down there about it. I wonder whether one of our attacks on this problem of the Caribbean could not be to take a sizable investment with Canadian technology and the expertise of the people who are in that area, put it together on an experimental basis and set up two or three demonstration projects to produce citrus fruits of quality and continuity of supply. In that way we would use this as a demonstration of what can be done. Would you think there is any practicable reality in an approach of that kind?

Mr. Patrick: I think that is the only way to do it, senator. I think you have to set up a model shop and prove that it can be done in the islands. We had a plantation and experimented with all sorts of things. We used to grow these things, and there were problems when they were not indigenous to the area.

However, all these problems could be solved by our department of agriculture and they would get others to help. The simple fact is that these problems can be solved. We Canadians do not realize what we pay—we grow for only two or three months of the year and we have to buy from warmer areas most of the year.

Senator Connolly (Ottawa West): I think you have given us a wonderful insight into the agricultural problem down there. Would you say that there is sufficient information available to the entrepreneur from the private sector about the potential for other extracted industries, that might lead to more development amongst those early manufacturers and perhaps even later and more sophisticated manufacturers.

Mr. Patrick: I think there are some very interesting mineral resources on these islands, and I say this as a result of having commissioned some outstanding consulting engineers to prepare a report for our company. There may even be oil. There is a great deal new that is known now about the earth's crust. That is very recent knowledge, and it is suggested that this chain of islands should be highly mineralized and there might be oil there. This is an area which I think should be investigated. There has always been talk of *soufrières*. On the volcanic islands there are two or three *soufrières*, and this suggests thermal energy that should be put to work. The trouble is that the West Indian governments get a lot of these reports, but what can they do about them when the cost would be something like, say, \$60 million or \$70 million to do it. It does not make sense.

Senator Connolly (Ottawa West): It may be that if the reports are sufficiently authoritative, private capital might step in and try to realize something.

Mr. Patrick: All of the island governments have always tried to find ways and means to bring expertise down there. It only needs money to get technical people to come down and the answers.

Senator Carter: I was attending another committee meeting and I hesitate to ask questions in case they may have been answered. Senator Cameron has already covered in the last fifteen minutes most of what I had in mind.

You mentioned your first contact with these islands was through the "Lady" boats of the

Canadian Caribbean West Indies line, which were discontinued years ago because they were not a paying proposition. You stressed the benefits of road transportation in the French islands. You do not mention in your brief any suggestions that these West Indies lines should be revived. Do you think that is a dead issue, or should it be done in a different way?

Mr. Patrick: I must say that I would recommend most enthusiastically some active sea link between Canada and those islands, something that would be the successor of the "Lady" boats. This would be a tremendous contribution to the islands. I understand this is the subject that is being debated, that there is a committee looking into it. I do not know what progress has been made but I hope the outcome will be that Canada will do some thing.

Senator Carter: Your opinion is that there is a definite need there for that type of transport?

Mr. Patrick: Absolutely. If we accelerate our investments in these islands, we will have to find some means of getting better sea communications. As a director of the Boeing Aeroplane Company, I am, naturally, thinking of air freight using, for example, the Boeing 747—and Air Canada has bought some of these. The high capacity, low cost payload of such large aircraft is going to mean a tremendous opportunity for all of these islands.

Senator Carter: You stressed in your brief, as Senator Cameron has pointed out, the \$428 million worth of fruit, and you stressed that some of this could be supplied by many of these islands. Have you any figure on what they are exporting now?

Mr. Patrick: Outside of the banana industry they are exporting very little fruit. They are exporting cocoa, coconut oil, bananas and a few spices from the islands—and this only from the Windward Islands. They are not exporting much tropical fruit.

Senator Carter: You expressed the agricultural potential of the volcanic islands and the tourist industry, which I presume is common to all eight?

Mr. Patrick: All eight of them have a potential.

Senator Carter: In answer to Senator Connolly, you said there might be oil and possi-

bly minerals. Are these referring to the Coral Islands?

Mr. Patrick: It could be either one. The fact that they are coral really does not mean very much in terms of this, because of the fact that the coral depth may be only a few hundred feet. They are all volcanic islands, but the surface of some happens to be coral.

Senator Carter: There is evidence of mineral potential on all of the islands?

Mr. Patrick: There is. It may be flimsy at the moment, but it is interesting enough to pursue.

Senator Carter: You advocate a separate program for these islands, separate and apart from the rest of the Caribbean. Is it your opinion that these little islands should have preference because this is something we can get hold of and produce some tangible results from, whereas the others are somewhat bigger and we may not be able to produce reasonable results in a reasonable time there.

Mr. Patrick: I recommend this for several reasons. They are a small community that is closer to us, they think of Canada, they think of us as being in some way related to them, more so than is the case in the bigger islands. The size question has something to do with the experiment. It does not prove to be a very big mistake if it does not produce the anticipated results.

Senator Carter: Are you saying we should concentrate on this group?

Mr. Patrick: Yes, because they need it more.

Senator Connolly (Ottawa West): We are all very grateful to Mr. Patrick.

The Deputy Chairman: I certainly support that statement by Senator Connolly. Thank you very much, Mr. Patrick for the information you have given us, which has been most useful.

Senator Connolly (Ottawa West): And you have been a good chairman.

The Deputy Chairman: On behalf of the committee, I thank you for coming here and being so helpful.

Mr. Patrick: Thank you very much for inviting me.

The Deputy Chairman: We do not need to incorporate the statement, as Mr. Patrick has

read it, but do you wish to incorporate any of the other material?

Senator Cameron: The cable and the replies.

The Deputy Chairman: Is it your wish?

Senator Fergusson: I move.

Hon. Senators: Agreed.
The committee adjourned.

APPENDIX "D"

A cable sent to the Prime Minister of Barbados, the Premiers of Antigua, St. Kitts-Nevis-Anguilla, Dominica, St. Lucia, St. Vincent and Grenada and the Chief Minister of Montserrat contained the following questions:

1. Please provide a list of desired external aid projects indicating priority.
2. Please provide realistic estimate of the cost of the projects.
3. Please estimate the dollar value of Canadian aid needed annually over the next five years.
4. Please state your attitude regarding grants versus soft loans.
5. Please state areas of technical aid needed most, for example, medical engineering, education and indicate priority.
6. Would appreciate brief statement of government policy towards tourist expansion, agriculture, fishing industry and other commercial development.
7. Please state the approximate annual aid received now from Britain, the United States and Canada.
8. Please indicate total tourist visitors annually and approximate Canadian percentage.

Note: Precise wording of cable follows:

"I HAVE BEEN INVITED TO APPEAR BEFORE CANADIAN SENATE FOREIGN RELATIONS COMMITTEE TO OUTLINE MY PROGRAM FOR IMPROVED CANADA WEST INDIES RELATIONSHIPS STOP TO AID PREPARATION MY SUBMISSION WOULD APPRECIATE YOUR CABLE ADVICE BY NOVEMBER 27.

ONE LIST OF DESIRED EXAID PROJECTS INDICATING PRIORITY

TWO REALISTIC ESTIMATE COST OF PROJECTS

THREE ESTIMATE DOLLAR VALUE OF CANADIAN AID NEEDED ANNUALLY NEXT FIVE YEARS

FOUR YOUR ATTITUDE RE SOFT LOANS VERSUS GRANTS

FIVE STATE AREAS OF TECHNICAL AID NEEDED MOST EXAMPLE MEDICAL ENGINEERING EDUCATION INDICATE PRIORITY

SIX WOULD APPRECIATE BRIEF STATEMENT GOVERNMENT POLICY TOWARD TOURIST EXPANSION AGRICULTURE

FISHING INDUSTRY OTHER COMMERCIAL DEVELOPMENT

SEVEN APPROXIMATE ANNUAL AID RECEIVED NOW FROM BRITAIN UNITED STATES CANADA

EIGHT INDICATE TOTAL TOURISTS VISITORS ANNUALLY AND CANADAN PERCENTAGE STOP

I AM APPEARING AS PRIVATE CITIZEN OBJECTIVE TO INFLUENCE CANADIAN GOVERNMENT POLICY TO GIVE GREATER ASSISTANCE TO YOUR AREA

K. R. PATRICK

Reply to cable from Dominica

1. In addition to existing C.I.D.A. programs further desired projects are:

- (a) promotion of fresh tropical fruits to North American markets
- (b) development of lake district into integrated tourist recreational area
- (c) development of Cabrits into a resort area with a casino and hotel
- (d) development of Prince Rupert Bay into a marina cum beach bathing facilities complex
- (e) development of Salisbury-Batalie beach land into single family holiday cottage units with beach bathing facilities

2. Estimated cost of overall aid and projects over the next five years \$29 million (E.C.) \$16 million (Cdn.)

3. Dollar value of Canadian aid over next 5 years—

\$ 6 million (E.C.)	...	\$3.3 million (Cdn.)
\$ 7 million (E.C.)	...	\$3.85 million (Cdn.)
\$10 million (E.C.)	...	\$5.5 million (Cdn.)
\$ 4 million (E.C.)	...	\$2.2 million (Cdn.)
\$ 2 million (E.C.)	...	\$1.1 million (Cdn.)

4. Grants are welcome but realize soft loan may be necessary.

5. Technical aid most needed in the following priority:

- (a) planning and feasibility consulting for projects
- (b) civil and building construction technology
- (c) dentists
- (d) medical practitioners and technologists
- (e) graduate and industrial arts teachers

6. Government policy for tourism is emphasized to the nature and extent of the program indicated. Agricultural policy aims at diversification to satisfy home market including planned tourist program plus existing and proposed export markets. Commercial development needed especially in the field of food processing.

7. British aid over preceding eight year period to 1968 approximately \$5 million E.C. \$2.25 million (Cdn.) Canadian aid excluding technical assistance over seven year period to 1970 approximately \$3 million Cdn. U.S. aid figures not available.

8. Tourists visitors 1968 were 13,264 of which only 6% were Canadian.

Reply to cable from Montserrat

1. Please advise the Senate Committee that the Montserrat Government is most appreciative of Canadian aid program in fields of airport development, water supply, primary schools, university centre, scholarships and provision of Canadian teachers. C.I.D.A. has recently announced a five year water development program for Montserrat costing \$1.8 million.

2. On the whole we consider Canadian aid is being channelled to correct sectors of economy and the only major project not covered is improvement of shipping and port facilities which are vital to Canadian/Caribbean trade.

3. Cost of the new harbour in Plymouth, Montserrat is \$2 million.

4. Consider present policy of issuing grants to smaller Eastern Caribbean territories is sound but suggest that Canada consider putting more funds into special fund of Caribbean Development Bank, as this will provide soft loans for desirable viable projects both in Government and private sectors.

5. Technical aid is needed mostly in engineering and education.

6. The Government considers expansion of the tourist industry as vital to economic growth and would welcome more Canadian investment in this field. Agriculture is the second most important sector of our economic growth and up to now there has been little Canadian assistance, although this is one of the stated sectors of C.I.D.A. aid.

7. The United States provides no bilateral aid to Montserrat. The United Kingdom aid is around £300,000 per annum. Total C.I.D.A. is not known as projects undertaken by Canadian contractors and actual funds have not been received.

8. 8,000 tourists visit annually of which approximately one-third are Canadian.

Reply to cable from St. Kitts—Nevis—Anguilla.

1. (a) Deep Water pier
(b) Water reservoirs
(c) Road to Cockleshell Bay—St. Kitts
2. 7-8 million dollars (E.C.) (3-3.4 million dollars Cdn.)
3. 1.6 million dollars (E.C.) per annum (0.7 million dollars Cdn.)
4. Soft loans for viable projects. Grants for water, roads, etc.
5. (a) Medical
(b) Education
(c) Engineering
6. The Government is striving to make the State economically self supporting so it could play a proper part in regional activities. We welcome Canadians and are grateful for Canadian assistance at this end because of our long, friendly, association between ourselves and Canada and the understanding with which Canada approaches our problems.

Reply to cable from Barbados

1. and 2. (b)-(g) of equal importance—(a) stands alone
 - (a) expansion and modernization of Seawell International Airport, preliminary estimate \$20 million (E.C.), (\$8.6 million Cdn.)
 - (b) higher and technical education including the University of the West Indies, Barbados Community College, Vocational Training, Hotel School—cost not determined
 - (c) Agriculture-marketing, credit, water and soil conservation projects, cost of over 20 year period at some \$64 million (E.C.), (\$27.5 million Cdn.)
 - (d) Expansion to the Deep Water Harbour—preliminary estimate of costs \$12 million-\$15 million (E.C.), (\$5-\$6.5 million Cdn.)
 - (e) Water Resources Development—cost of a 20 year program for water resources development \$20 million (E.C.), (\$8.6 million Cdn.) in current prices over a 20 year period (1968-1987)
 - (f) Development of road systems—preliminary estimate of cost \$20 million (E.C.), (\$8.6 million Cdn.)
 - (g) \$5 million-\$7 million (E.C.) would be required each year to make a start on slum clearance.

3. (a) Difficult question but it is fairly clear that Barbados could scarcely carry out all of the projects listed above simultaneously. It has not enough artisans and administrators around—so projects would have to be phased. In the current three year development plan (1969-1972) requirements for foreign assistance are set at \$163 million or some 35 per cent of total planned capital expenditure. Using this basis, requirements over a five year period would be in the vicinity of \$25 million-\$30 million (E.C.). The Government is not in a position to say how much of this should come from Canada.

4. Grants are preferable in economic sense since they do not have to be repaid and they impose no long term burden on the economy in the form of repayment charges. To be realistic, the type of financial assistance given will be dependent on type of project to be financed. Projects like airport or harbour development, which are self liquidating, could be financed by soft loans. Grants should be made for technical assistance, scholarship, feasibility studies and non-self-liquidating projects. What is important is that terms and conditions of the loans should be made generous:

- (a) No interest rate
- (b) Long repayment period
- (c) Reduction of Canadian interest rate
- (d) More money for local costs
- (e) Priority area for technical aid, agriculture, technical education, industry—management training, water resources development and development of statistical data

7. Aid received from Canada, U.S., Britain—U.S.A.—NIL, U.K.—technical assistance only so far—amount difficulty to quantify, Canada—\$1 million (Cdn.) soft loan \$500,000 (Cdn.) grants.

Reply to cable from St. Lucia

I believe that the approach should be new and along the lines discussed with C.I.D.A. in July, that is, joint Canada/West Indies public corporation operating in the private sector, example hotel and tourist industry. This corporation should be a pump primer, withdrawing in favour of local entrepreneurs when a project becomes viable.

Small labour intensive factories should be encouraged on a similar basis to establish confidence. Agricultural projects should be

financed through local agricultural banks relending at low interest rates.

In the public sector, assistance in external communications, airports, and harbours should continue with intensification.

In education the emphasis should be on technical and vocational education so that technicians would be available to service the economy. Annual capital aid from Britain is \$9 million (E.C.), (\$5 million Cdn.), U.S. is nil, Canada is \$5 million (Cdn.) plus technical aid.

Non regional visitors to St. Lucia, \$11,000 from Canada 20 per cent.

Reply to cable from St. Vincent

1. The St. Vincent Government wants:

- (a) Water program
- (b) Airports for St. Vincent, Bequia, Canouan and Union
- (c) Raise the level of secondary education, in particular find means of teaching chemistry, physics, and science subjects at high school level
- (d) Support of vocational schools and junior technical levels and a great need for hotel training at a low level.

St. Vincent feels that the proposed hotel school in Barbados is an excellent idea for management and might even be part of a Faculty of Business Administration at the University of West Indies. However, they do not feel that the teaching of barmen and maids and other labour for hotels is appropriate, except on the individual islands.

4. They would prefer soft loans for the long term but it is not a matter of importance how they get the money.

6. They are giving great emphasis to the development of tourism and consider this vital to their interests.

Reply to cable from Antigua

1. Antigua expresses very great appreciation for the current programs on the island to help with water, airport extension and schools. It is hoped that the school, water and airport program could be accelerated.

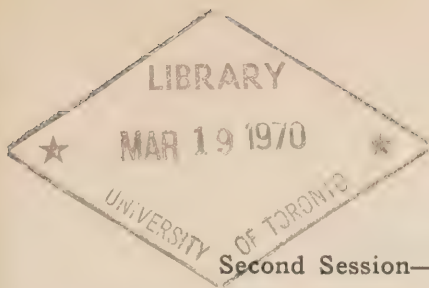
- (a) Priority on a \$6 million (Cdn.) loan to help facilitate the installation of water and electrical services.

(b) They need further help in the development of the airport terminal at an estimated cost of \$5 million.

(c) Help with their road program, which

has been sadly neglected over a long period of time.

(d) Finally, vocational training at all levels and finally further help with their school program.



Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 5

TUESDAY, FEBRUARY 10, 1970

Respecting
THE CARIBBEAN AREA

WITNESSES:

L'Abbé Gérard Dionne, Director, Canadian Catholic Office for Latin America;

Reverend David Woeller, Area Secretary for the Caribbean and Latin America; Anglican Church of Canada;

Doctor Garth Legge, Associate Secretary, Board of World Mission, United Church of Canada; and

Miss Mary Whale, Executive Secretary for Overseas Missions, Presbyterian Women's Missionary Society, Presbyterian Church in Canada.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

MINUTES OF PROCEEDINGS

TUESDAY, February 10, 1970.
(6)

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 10:00 a.m. this day.

Present: The Honourable Senators Aird (Chairman), Belisle, Connolly, Eudes, Grosart, Haig, Martin and Robichaud—(8).

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee continued consideration of matters relating to the Caribbean Area.

The Chairman (Senator Aird) introduced the following witnesses:

L'Abbé Gérard Dionne, Director, Canadian Catholic Office for Latin America.

Rev. David Woeller, Area Secretary for Caribbean and Latin America, Anglican Church of Canada.

Dr. Garth Legge, Associate Secretary, Board of World Missions, United Church of Canada.

Miss Mary Whale, Executive Secretary for Overseas Missions, Presbyterian Womens Missionary Society, Presbyterian Church in Canada.

Ordered:—That the briefs submitted by the various witnesses be printed in this Committee's records (*See Appendix "E" to these Proceedings*).

The Chairman thanked the witnesses for their attendance and assistance.

At 12:30 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, February 10, 1970

The Standing Senate Committee on Foreign Affairs met this day at 10 a.m.

The Chairman (*Senator John B. Aird*): Honourable senators, it is now past the hour of 10 o'clock, and I see a quorum, and therefore, I declare this meeting regularly constituted.

It is a great pleasure for me this morning to welcome to these proceedings the four distinguished witnesses whom I have already personally introduced to you.

On my immediate right is Father Gérard Dionne of the Roman Catholic Church. He has presented a brief which you have had in your hands for several days. I have asked him to speak first and, following our general procedure, I have asked Senator Connolly (Ottawa West) to lead the questioning as it relates to Father Dionne's brief.

On Father Dionne's right is Miss Whale, who will be speaking on behalf of the Presbyterian Church of Canada. Miss Whale is the Executive Secretary for Overseas Missions, the Presbyterian Women's Missionary Society. Copies of her brief have been distributed to you this morning.

On Miss Whale's right is Dr. Garth Legge, of the United Church of Canada. He is Associate Secretary of the Board of World Missions, with special responsibility for Africa, Latin America, and the Caribbean. I believe copies of his brief are now in your hands.

On Dr. Legge's right is the Reverend David Woeller of the Anglican Church of Canada, who is the Area Secretary for the Caribbean and Latin America.

At the brief meeting that we held before coming to these proceedings it was decided, inasmuch as the brief of the Anglican Church of Canada has been presented somewhat ahead of the others, that it would be in order for Mr. Woeller to speak second, and that the representative of the United Church should follow him, and then the representative of the Presbyterian Church. We feel in this commit-

tee that quite obviously the church has been a major factor in the social and the economic sphere in the Caribbean. I realize that naturally the activities of the various churches go far beyond this parameter but, in effect, we are concentrating on the Commonwealth area. We hope that each witness will speak to our area of particular interest.

It is now in order to proceed and I would ask Father Dionne if he would speak to the brief that he has presented.

[Translation]

Rev. Fr. Gérard Dionne, Director, Canadian Catholic Office for Latin America: Mr. Chairman, Honourable Senators, allow me first of all to express my special thanks to you for what I rightly consider the privilege and honour of appearing before you this morning.

A number of distinguished speakers have already addressed you concerning socio-economic problems in the West Indies, and from accounts I have been able to read, it appears to me that you are remarkably well informed on every aspect of that area of the American hemisphere.

However, I am not here in an expert capacity. Firstly, I have only passed through Latin America, and not through many countries at that. I know the areas mentioned in my report to Mr. Peter Dobell only as a result of brief and superficial visits. I went to Latin America as an itinerant missionary, and it is my responsibility towards our missionaries and towards the efforts of the Canadian Catholic Church that brings me here this morning. In other words, I do not have a sociologist's, and economist's or a politician's knowledge. I am but a poor priest who has been asked to serve the Church in Latin America by coordinating the missionary effort of the Canadian Church. Since August, 1967, from our Office for Latin America here in Ottawa, I have been gathering information and receiving visitors from the southern continent, and I have been able to make on-the-spot visits to many of the 2,115 Canadians working for the Church in that area.

I should like to make some general observations regarding Latin America as a whole, including the Caribbean area in which you are especially interested.

The poverty in some areas is almost as bad as that affecting some parts of Asia-India, in particular. The gap between rich and poor is obvious almost everywhere. Eighty per cent of the people of those countries lead a marginal existence. Skin colour is often the factor that determines the degree of participation in social, political and economic life. With rare exceptions, the darker a man's skin, the more arduous and poorly paid his occupation.

Revolution is a familiar word everywhere, but at present, it is a probability nowhere. Governments are applying more and more stringent controls. The leaders seem to be preoccupied more with preserving national security than with instituting social reforms. There sometimes seems to be a morbid fear of communism, but effective efforts to combat its causes are rare.

At the episcopal level, the Church itself sometimes has a divided attitude. It wants social reforms; on that there is agreement. But some bishops want them by the quickest possible means, while others look to normal—albeit slow—evolution. United, the two groups could be a potent force. Our missionaries often lean towards rapid evolution, but as a matter of principle, and in order not to compromise their freedom of action or their apostolate, they adhere to respect for existing structures and conditions, while at the same time attempting to promote the changes dictated by simple justice.

Much has been said and written, and many plans have been drawn for development in Latin America; but the thinkers outnumber the doers. Each country is waiting for the political leader who will free it from poverty and colonialism. People are living on hope in a hopeless situation. This hope usually rests on universal education, the "awakening" described by the magic new Brazilian word coined by Paul Freire. The talk now is of "liberation", instead of development. Since the Bishops' Conference held in Medellin, Colombia, in August of 1968, the people's hopes are often directed towards the Catholic Church. We hope that their hopes are not mere dreams.

As you are particularly interested in the West Indies and the countries bordering on the Caribbean, I have had some statistics passed along to you that will provide some

guidance towards an understanding of our work.

I have visited Cuba, Haiti, the Dominican Republic, Guatemala, Honduras, Nicaragua, Guyana and Venezuela, with regard to any special questions that might be asked. As I believe I shall be acting more in accordance with your expectations by answering any questions you may wish to ask, perhaps I might reserve more time to that than to a long speech, something made less necessary by the information you already have. Furthermore, the brief submitted to the Honourable Mitchell Sharp by a group of Oblate fathers and Canadian aid workers accurately reflects economic, social and political conditions in the Latin-American countries.

I know there are other representatives present this morning, and I thank you for this opportunity to direct the attention of the Senate towards the needs of the developing countries.

[English]

The Chairman: Thank you very much, Father Dionne. When introducing you I neglected to describe your office. Father Dionne is Director of the Canadian Catholic Office for Latin America.

As I indicated in my introduction, I will now turn the meeting to questions and call on Senator Connolly (Ottawa West) to lead the questioning.

[Translation]

Senator Connolly (Ottawa West): Mr. Chairman, you will no doubt allow me to thank Father Dionne for his address to us here this morning. However, it would perhaps be much easier, as much for him as for me, if I spoke in English. Similarly, if you prefer Your Reverence, you may reply in French.

[English]

Father Dionne, as I have said in my Pearson-Diefenbaker French, it is a great pleasure to have you here and, indeed, to have the representatives of the other three churches who are with us this morning. It is this. Perhaps the committee report might give some consideration to the fact. We measure our foreign aid in Canada in terms of dollars and usually dollars from the public sectors. I think this is a very great mistake. In 1966, when the Commonwealth Parliamentary Association met here, some senators on this committee will remember that we had arranged at that time for some material to be sent to us for general circulation by the Canadian Branch of the World Council of Churches and by the Canadian Catholic Con-

ference; to indicate the extent of the contribution made throughout the Commonwealth to development work in Commonwealth areas by the churches.

Our staff has this morning given me—and perhaps all of us—a copy of the paper “International Development” for December of 1969, indicating the extent of the special programs of the Voluntary Agencies approved between April 1969 and October 1969. In one of the columns—which is by far the column with the largest amount of money—is the amount contributed by the Voluntary Agencies. There is no total given but it does add up to a great deal of money. For my part, when I was in the Government, I felt that this contribution was something that should be recognized by External Aid, as it then was called, and urged the then minister to consider helping the agencies that were working within the Commonwealth and elsewhere. However, I think it was a matter of the spread of funds.

There are a couple of these programs that I notice with interest this morning, because I happen to have had the privilege of visiting them. I notice the Oblate Fathers of St. Peter's Province of Canada have had a *barriada* program of technical education at Comas, which is just on the outskirts of Peru. This has had a grant of \$59,500. That was something done by a Christian Science minister of External Affairs. I was trying to urge a Catholic to do it but I did not get very far.

The church contribution there was almost \$370,000. This is a notable figure, Mr. Chairman.

I notice, too, a contribution of \$100,000 in Bolivia, for basic education by means of radio and other mass media, to which CIDA has contributed \$100,000, and the church contribution was \$243,000.

I am familiar with the Darjeeling project run by the Canadian Jesuits in India. CIDA gave them \$100,000 and this is very important work, but the church group has already contributed \$470,000.

The fourth one I mention, and it is one that I have visited, is the Boys Town trade school at Singapore, where again CIDA has \$100,000 and these lay brothers of the order of St. Gabriel have contributed \$971,000, nearly a million dollars. You might be interested to know that one of the men who was there when I visited the school back in 1965 had been a Japanese prisoner for three years; and the tortures that that man went through

in those years were just unbelievable to hear. Nevertheless, he was there, still as a young man, running that school. He has been in Canada, he came primarily, I think, to explain the need of the money that was required for a further trade school which was being developed.

I should add, too, because I think it is true of the work of all the churches, that these schools are run on a completely non-denominational basis. They take the poor youngsters from Singapore, who would not have had a chance otherwise, and give them training in things like mechanics, all kinds of skilled trades, carpentry, commerce, printing and things like that. They have the facilities there and they are extremely good. Those are youngsters who might otherwise be a social problem but who become in fact extremely good citizens.

Mr. Chairman, I think it is very useful to have had that paper of CIDA given to us this morning and I would hope that in our report we might, from the figures given here, indicate the extent of the contributions made by the various churches and other voluntary associations as well as the amounts which have been contributed from the public sector.

Father Dionne, I really have not too many questions to ask you this morning because I think your paper speaks for itself, as indeed do all of them. I think they are extremely good.

The first thing which occurs to me is this. I take it the attitude of your people there is an attitude in respect of the other denominations of co-operation rather than of working in a segregated way. Would you care to comment on that?

Father Dionne: Yes. You know that since the Council, there has been an effort made not to make churches competitive but co-workers. I think there has been great endeavour producing favourable results. I think I could say that it is not as easy on a mission field as it is in a country like Canada or the United States. It is not as easy, because, especially in Latin America, the traditions are different to ours. At the beginning of the persecution in China, about 92 per cent of Latin Americans were Roman Catholics and they were not ecumenically-minded because it was a rare thing to see someone who was not a Catholic. They have to learn how to live with other Christians, and at the level of foreigners or missionaries going there it has to become the regular rule of life.

[Translation]

I feel, Sirs, that there are concrete efforts on all sides to develop greater understanding and to appreciate the fact—and it is the same thing for Latin America as well as for the West Indies—that our first duty is perhaps not to attempt to implant a religion or a given denomination; it is primarily to give these people a human, and what is more, a Christian way of life, that is, to give them the capacity for self-respect which is impossible if they lack the necessities for a human existence. For this reason, it is not initially so much a matter of religion but rather a question of development, of freedom from a situation of injustice; only then can we show them or speak to them of the benefits of religion. We feel that the missionary must often be a social worker, a worker for educational development, etc.

[English]

Senator Connolly (Ottawa West): I suppose as the educational level rises generally, the approach of one denominational group to another as Christians, and as human beings, becomes easier. Will you agree with that proposition?

Father Dionne: Yes, I fully agree.

Senator Connolly (Ottawa West): I suppose, too, that as opposed to a country like perhaps China, in the Caribbean area you are closer to realizing that objective.

Father Dionne: Yes, because they are nearer to the United States, and there are many countries of the British Commonwealth. I spoke about the revolution in China because when the revolution came, most of the missionaries had to leave China and there was an open field in Latin America. All of a sudden about 20,000 non-Catholic missionaries came to Latin America, which was quite a start! That is where it started to become a real missionary effort besides what the Catholic Church had accomplished so far.

Senator Connolly (Ottawa West): Father, I should like to take you through the brief that has been submitted. I was starting at page 19. I notice you indicate that a survey conducted in 1962 shows that you spent almost \$1,200,000 in the various countries listed there in the Caribbean region. Over what period would that money have been expended?

Father Dionne: That would be over a year.

Senator Connolly (Ottawa West): Within a year?

Father Dionne: Yes.

Senator Connolly (Ottawa West): Is that so?

Father Dionne: Yes. This is for 1962. We made another survey in 1966 at the diocesan level. The former covered all the religious orders. In 1966 we reached a sum of \$600,000 for the dioceses. Thirty-five dioceses are now involved. We figure that it costs us about \$3.5 million yearly for Latin America, and approximately \$5 million for our work all over the world.

Senator Connolly (Ottawa West): This is not all Canadian money I take it. I take it some of this money comes from local sources.

Father Dionne: We are speaking of the money that comes from the Canadian catholic church.

Senator Connolly (Ottawa West): So it is all Canadian Money?

Father Dionne: That is right. Of course, in some instances it refers to salaries paid; not only to money donated. For instance, in the case of a nurse, basing ourselves on her rate of pay in Canada, we would allow the same salary there.

Senator Connolly (Ottawa West): That money would be paid to her from Canada.

Father Dionne: She would not receive a salary. She donates it.

Senator Connolly (Ottawa West): It is the equivalent of money?

Father Dionne: Yes.

Senator Connolly (Ottawa West): So it is not always an actual cash expenditure that is involved?

Father Dionne: No.

Senator Connolly (Ottawa West): It is cash or the equivalent of money?

Father Dionne: Yes.

The Chairman: I think, Senator Connolly, this is an important point and I would like to make sure the record is clear on it. Father Dionne, do I understand you to say that in 1966 from Canadian sources, whether directly or indirectly, \$3.5 million was expended by

the Canadian Roman Catholic Church in Latin America?

Father Dionne: That is what I have said, yes.

The Chairman: Thank you.

Senator Connolly (Ottawa West): And in the Caribbean area?

Father Dionne: I could not tell you. I have abided by the figures of which I am sure. For 1966 I would have to undertake further research concerning the Caribbean area.

Senator Connolly (Ottawa West): You do not have that breakdown?

Father Dionne: No.

The Chairman: Would you care to make an approximation?

Father Dionne: We have about one-third of our personnel there, so I would divide by three.

The Chairman: So you would feel a conservative estimate would be \$1 million for the Caribbean area?

Father Dionne: Yes.

Senator Grosart: In what year?

The Chairman: In 1966.

Senator Grosart: In 1962 it was \$1,200,000?

Father Dionne: Yes, but in one country, Honduras, there is a large figure of \$489,000 which was not repeated. We built a seminary in Tegucigalpa.

Senator Grosart: This would take in capital and operating expenses?

The Chairman: I think that is clear, Senator Grosart. These are direct and indirect expenses and include both capital and maintenance. Is that correct?

Father Dionne: Yes, I would say so.

Senator Connolly (Ottawa West): I would point up on page 16, as I could do on other pages, the extent of the work done in agencies like dispensaries, where in the Dominican Republic in one year 63,000 people were treated in urban dispensaries, 10,000 in rural dispensaries, 5,500 children were cared for in primary schools and 137 in secondary schools. Would you care to comment on the level

where the educational effort is considered to be most important.

Father Dionne: Since the governments will as a rule build schools for beginners up to grade 6, and since we are unable for lack of funds to build schools, then that is where we will expand special efforts. We try to give people a basic education at least. We try also to educate adults through radio, but not so much in Santo Domingo, as in South America.

We are not equipped for higher education, let us say up to the college level, so we insist on education up to grade 6. We try to train some as technicians, and other vocations if possible, for instance the priesthood.

Senator Connolly (Ottawa West): I notice too that in the primary schools where you educate 5,500-odd students your total staff is 56, and your Canadian staff is 18.

Father Dionne: Yes.

Senator Connolly (Ottawa West): Where do the balance of the teachers come from?

Father Dionne: These are from other countries—missionaries—or they are local staff.

Senator Connolly (Ottawa West): What percentage would you say are local people?

Father Dionne: I do not know whether I can answer that question adequately. I would say that when most of those schools were organized the staff was mostly Canadian. Now there are perhaps two or three persons from other countries, and the rest are local people. So, out of 56 you would have about 35 or 36 local people.

Senator Connolly (Ottawa West): Have these people been trained by you, or have they been trained in Canada?

Father Dionne: Generally trained by us. They have sometimes just a primary education. They might be a year or two ahead of the students they teach.

Senator Connolly (Ottawa West): But is their education continuing?

Father Dionne: Yes, we try to continue it.

Senator Connolly (Ottawa West): Are you extending the amount of participation by local people? Is the number of local people involved in teaching increasing?

Father Dionne: Yes, definitely, and it is our aim to make ourselves unnecessary as soon as possible.

Senator Connolly (Ottawa West): Yes, the word "redundant" was used in the brief, and it is a very good word.

Father Dionne: Yes.

Senator Connolly (Ottawa West): I notice, too, that in some cases you use priests, and in other cases you use brothers, and in other cases you use laymen. Have you any breakdown as to the percentage in these three categories?

Father Dionne: Yes, but only for the whole of Latin America. Do you mind if I give you the figures?

Senator Connolly (Ottawa West): No, because they would probably give us an indication of what the story is.

Father Dionne: These are statistics that we publish once a year, and we are just about to publish the ones for 1969. We have in Latin America seven Canadian bishops, and 511 religious priests. That means priests who belong to an Order like the Oblates or the Jesuits. There are 145 diocesan or secular priests. There are 250 Brothers, and about 1,000 Sisters. There is a new kind of Sisterhood known as secular institutes. Members of these institutes take vows, but they may live alone. Otherwise, they live like ordinary lay people. We had 75 last year. Then there are 104 lay missionaries, who are mostly nurses, school teachers, or technicians. Then we have 38 students who wish to become priests. These are Canadians who wish to donate their lives to Latin America, and go there to prepare themselves in the field. They study there. Last year we had a total of 2,078, and at present we have 2,115, which is not much of an increase this year.

The Chairman: Senator Connolly, I was struck, like you, by the use of the word "redundant" on page 5. The quotation is "because our approach to aid is making ourselves redundant as soon as possible". My question to you, Father Dionne, is: Do you really believe that this approach can be effective if it is temporary?

Father Dionne: It can, but when we say "as soon as possible" we are thinking in terms of maybe one hundred years. I think we would be neither useful nor faithful to our calling as missionaries if we intended to stay there. We have to prepare for the future. Our first responsibility is to prepare local people who can take on the work. This is what the Latin

American bishops ask of us. They say: "If you want to send us technicians then send us technicians who will prepare local technicians. If you want to send us nurses then we would prefer to have one nurse who can train 15 nurses, and then go home. We do not want a nurse who comes here, does her job, and then goes away leaving nothing." I think we should make ourselves *de trop* as soon as possible.

The Chairman: I do not query the use of the words "as soon as possible", but you have made my point for me indirectly.

Senator Grosart: "As soon as possible" may come much sooner, as it did in China. My mother opened the first two training schools for nurses in the interior of China, and that work was very abruptly terminated a few years ago. Is there any danger of that happening in this area?

Father Dionne: Yes, there is that danger. We had quite a few missionaries in China. There were 2.5 million Catholics when the revolution began, and we know that this number is now probably greatly diminished. But the Church is not supposed to think in terms of what will happen after. We should do our bit now.

Senator Grosart: I thought that that was the whole mission of the Church—to teach us to think about what will happen after.

Father Dionne: I beg you pardon?

The Chairman: Senator Grosart said that he thought that that was the whole mission of the Church.

Father Dionne: Well, that is another kind of "later on".

Senator Grosart: I do not want to interrupt the questioning, but may I ask one further question because I have to go to another committee? Do you see this ending of the missionary effort in the Caribbean coming from sources other than Communism? Do you see it as ending because of a growing nationalism—because the people there want the whites out? .

Father Dionne: Yes, I think we can say that for Latin America. They want neither Communism nor capitalism. They are looking for another way out. Whether they will find it in time we do not know, but it is surely not the answer. Cuba at the beginning was the pride of Latin America, but it is losing some of it

prestige now. The efforts of Cuba to spread the revolution have decreased a great deal lately.

Senator Grosart: There seems to be a growing materialism tied to nationalism in the Caribbean.

Father Dionne: Yes.

Senator Grosart: Is this affecting the work of the churches there?

Father Dionne: Well, of course, it seems that materialism is taking over everywhere. We would like to see them have a better standard of living than in the past. If they are materialistic for a time then we think that this is perhaps unavoidable. The same thing applies to many countries. In Russia, for instance, they thought that religion was a handicap. They called it the "opium of the people." Now that they succeeded in attaining a better level of life, people are coming back to religion, because there is an urge in every human being for more than money and comfort. So, we count on that too. We count on human nature, and we think that it is human to be religious. Man is a religious being, or a religious animal, as he is sometimes called. We do not worry if they improve their situation, even though they may forget about religion for a while.

Senator Connolly (Ottawa West): Perhaps we can pursue that for a bit. You mentioned Russia and the crass materialism of the society there. As the chairman has indicated, he was recently in Russia, and I am sure he will agree that it was found there that certainly materialism permeated the social structure. But there was also what I would describe as intellectualism; a great attachment to the arts, the performing arts, writing, singing, music, poetry, and things of this kind.

Father Dionne: Yes, and the cinema.

Senator Connolly (Ottawa West): Yes, radio, cinema, television and this sort of thing. Do you see that kind of development ultimately leading to an acceptance of the religious and spiritual side of life, or do you see it as an end in itself?

Father Dionne: I think it is just the fact that a man is not only some one who eats and has comfort. These are all spiritual activities which show a need for a higher interest in life beyond that of comfort. This is a branch of religion in fact. Folklore, songs and dances are just a manifestation of what man is him-

self. There is also the need for answers to problems that the world does not give. When the time comes that promises are not fulfilled, when questions remain unanswered, they turn to religion, because they find that faith sometimes is the only answer. Religion comes through faith, faith answers many questions. It gives a meaning to life.

Senator Connolly (Ottawa West): I suppose what you are really saying is that historically this has been the evolution of the human mind. From pagan times man progressed through the arts and sciences into philosophy and geology. In time organized religion helped society to establish the concepts that the theologians and philosophers developed.

Father Dionne: I would have thought the contrary, that religion was at the root of the arts.

Senator Connolly (Ottawa West): It may be, but in point of time it came later. Consider the Greeks, for example. Aristotle, Plato and these men came much earlier than St. Paul or the teaching of the Jewish prophets.

Senator Grosart: As a matter of fact most of the Jewish prophets, antedate Aristotle.

Senator Connolly (Ottawa West): That is true, but I am referring to the influence on the non-Jewish peoples, the non-Jewish mind of the work of the Jewish prophets. I think that came after Aristotle and Plato. In other words, the gentiles did not hear even the message of the Jewish prophets until after they had developed a good deal of their own philosophical, perhaps even approaches to theological, concepts. Do you believe that will develop among these people whom you are helping in Latin America?

Father Dionne: The people there were too immersed in religion and superstition about religion. They had to be purged of religion to make it true religion. We do not deal with pagans there, you know; they are all Christians in their own way.

Senator Connolly (Ottawa West): On page 13 of your brief with, reference to Honduras, it is stated that the number of students in the primary schools is 819, 200 in the secondary schools and 41 in the normal school. In the radio broadcasting schools you have 6,266 with a Canadian staff of 11. Why are they so terribly interested in radio broadcasting?

Father Dionne: I do not know if you have been told about those radio schools in Latin

America. They were started in Colombia by Father Salcedo. He knew that there were many people who could not attend regular schools, so he arranged to have radios donated which he distributed in different sections in the jungles.

Senator Connolly (Ottawa West): I am wrong. I understood that this was the number of students studying the technique of radio broadcasting. What you are going to tell me is that this is the school on radio.

Father Dionne: They teach by radio.

Senator Connolly (Ottawa West): Exactly. You do not use television yet in school work there, I suppose?

Father Dionne: No, I do not think they would have the means to do that. It would be very handy though.

Senator Connolly (Ottawa West): I am curious about your figures on Haiti, although it is not a Commonwealth country. I have been told by people who have been there that it is one of the poorest of the poor islands.

Father Dionne: Yes, I think it is.

Senator Connolly (Ottawa West): Perhaps it is, and yet you have some 27,874 students in the primary schools that you operate, 1,841 in the secondary schools, 202 in the normal schools, 30 in technical schools and 319 in the family institutes. I take it that you pretty well have to remould the basic elements of society in a place like Haiti and that you are making some progress.

Father Dionne: We work as well as we can. If it were not for foreigners opening schools and teaching, there would not be much there, because if I am right the budget of Haiti is only about \$25 million a year for the whole country. It costs quite a lot just for the government itself, so they do not have much left for education or building roads. That is why we have 421 Canadians in Haiti, which is the biggest representation we have in Latin America after possibly Peru.

Senator Connolly (Ottawa West): Because the need is greater?

Father Dionne: Yes. This is our first Canadian foundation, since at the beginning most of our missionaries came from Quebec. In 1874 some sisters and brothers left for Haiti because they were ready and did not have to learn another language.

Senator Connolly (Ottawa West): I think perhaps the generalization can be made that governments in the field of foreign aid have a good deal to learn from all the churches, who have been in the field longer.

The Chairman: It might be of interest, Father Dionne, to have on the record your comparative effort in Haiti. Is it increasing or decreasing today?

Father Dionne: It is increasing in personnel.

[Translation]

Senator Belisle: Your Reverence, you have just mentioned Haiti. According to newspapers here, President Duvalier is a dictator. Now, can you tell us whether this is actually the case? On what basis should Canadians go to work there? Is the situation more complicated there than it is in the other Latin American countries?

Father Dionne: Sir, in reply to your question, I would say that Canadians going to Haiti should know that they cannot reverse the present situation through their words or their actions. They are going there because the people are very poor and needy; it is perhaps due to the fact that they are more destitute than the others that we have more missionaries in Haiti. For this reason, the major portion of the gifts we give, the small contributions we can make, that is, close to 60 percent of the \$50,000 we receive from the Canadian Knights of Columbus, goes to Haiti. Without this, our missionaries could not be as efficient. Accordingly, the first rule for Canadians going there is that they should be very careful in their words and not meddle in politics. This is the case, moreover, for all the other countries.

Senator Belisle: May I ask you a further question? Your Reverence, you speak more of freedom than of development. By freedom, what do you mean? You mean what: freedom from old customs, old traditions which may retard economic and material development, and here I am avoiding spiritual development?

Father Dionne: I believe that this is quite a new word. I have just come back from a conference in Miami in which a Chilean sociologist, Father Gutierrez, stated that the word "development" had a materialistic connotation which evoked the fields of finance, education and comfort. The word "Freedom" on the other hand is more human. Man must free himself from his ignorance, from his

inferiority complexes, from his traditions which may keep him in a state of poverty and misery. Inwardly, he must free himself from himself and from perhaps what he learned as being a normal thing: poverty, misery, servitude. Then why speak of freedom? Because the words "to be free" means to be able to stand up squarely before another, to feel equal to him in all respects, whereas the words "to develop oneself" may simply mean to improve one's condition.

[English]

Senator Connolly (Ottawa West): I am about to finish, Mr. Chairman. On page 5 of your brief, I notice you list reasons why your presence may be temporary and among those you say "because our missionaries, coming as they do from North America, are accused of wanting to give a North American character to their apostolate." How deep is that feeling among the people with whom you work?

Father Dionne: It depends where we are, in the cities or with the campesinos. They realize that the missionaries live much better than they do, but they do not expect them to live as they live. It is on the level of priests or bishops or educated people that the comparison is to our disadvantage. For instance, we can give our missionaries a jeep or a car for their ministry; and a better house when they come to organize the mission or the apostolate. Because we give them help they are able to organize a good school, perhaps a dispensary, and generally be better organized. The local priests cannot do that because they have to live first. So they have to comply with the customs of their people. These people, being often superstitious, will give money only if they receive something in return. They will ask for a blessing or a prayer and then they will give a few cents to the priest. The local priest is not happy about this but it often is his only means of livelihood even though it renders his status inferior. Our priests do not have to do that. We give them money so that they can refuse these contributions. Then they are accused of not conforming to the traditions of the people. They do not accept processions and all kinds of devotions, so it is said that the religion they bring is a cold North American one. I do not always agree with this attitude and I do not approve of some of the things the missionaries do. The first thing some do is to empty the churches of statues and the customary devotions of these people. We feel that if we go there we must accept their way

of life or otherwise we might as well stay at home.

[Translation]

Senator Robichaud: First, I should like to join the Chairman as well as Senator Connolly (Ottawa West) in welcoming you before our Committee and in expressing our appreciation for the brief you presented to us on the activity of the missionaries in the West Indies and Latin America.

[English]

I have only one question, in view of the time. Father Dionne, I noted you mentioned that the words "revolution" seems to be mentioned quite often and also "poverty" and "foreign colonialism". I also notice that in the review *Migration News* May and June 1969, when you mention among the qualities which are essential to candidates about to depart to Latin America that they have to be very careful about the existing sentiment of the people toward foreigners. This "revolution" which they have in their minds, is it mainly due to their living conditions or their poverty, and according to your own experience what would suggest would be the main reason for this resentment towards foreigners? After all, we seem to be there to assist them, to help them, to improve their conditions; and colonialism does not seem to exist as it was, say, in the last three or four decades. Indeed, it seems to be disappearing now. What is the main reason for this kind of reception?

[Translation]

Father Dionne: Mr. Chairman, may I first state that I am also from New Brunswick and that I am pleased to receive a question from Senator Robichaud.

[English]

Honourable senator, colonialism for them means the impact on them, especially from the United States, and the control of their economy. They are depending on this power; they cannot avoid it, not only financially but politically. For example, when Santo Domingo was on the verge of revolution it was prevented by U.S. intervention. The U.S. stopped it in Bolivia also, when Che Guevara tried to organize a Cuban revolution there. Of course, he was backed by only about 50 persons. So the Latin Americans often consider that they are not free and cannot be free as long as the United States are too powerful and they themselves are too poor. Colonialism to them means mostly the United States. It also means Russia, because they know that Russia can replace the United States. That is why they are not at present interested in changing masters.

We go there to help them, but there is this resentment. For example, if there were an African priest in a Canadian parish here, he may not understand us very well and perhaps we would resent it, and as soon as we had our own priest we would like him to resign and go home. Nevertheless, as long as he was needed, we might appreciate him and be thankful for him. Because most of these people are underdeveloped they do not understand that going there means a whole new way of life for us. Sometimes they think we are fortunate to be there, and that we have a happy life in comparison to theirs. There is resentment, not necessarily because of our presence, but because they think if we were not there they could fulfill our role.

They sometimes think we are all millionaires and can give constantly. They do not understand that our means are not unending. When I was in Ethiopia my sister gave a party for her small daughter. She distributed candies and when she had no more to give, they were angry with her; they could not understand why she did not go into the house and get more candies. They think all we have to do is put our hands in our pockets and always come out with more money. They feel we can always give alms, but we do not want to give alms, because if we do we keep them beggars, which is to show no respect to a human person. They resent the fact that we are richer than they. They like our way of life in Latin America and do not always understand that we would be much better off here at home. We try to make them see that we are happy to be there, which in fact is the case. We would like to be better understood.

"Revolution" is a word that is heard everywhere, but again the United States will certainly not permit another communistic revolution to take place on this side of the continent. The revolution is coming because there is a dichotomy between the rich and the poor, which sometimes is too clearly evident. There is a middle class, but it is very limited, and with education the poor are increasingly realizing that they have a right to better housing and better salaries, which they feel they do not get because other people are getting richer on their poverty. When they are told they have a right, and learn about it, mostly in churches...

Senator Robichaud: Will they show a greater interest for education as time goes on?

Father Dionne: They want everybody to become educated and either leave the country and come to North America or be on an equal

footing with the rich. They think—and sometimes it is true—that having more education will make them richer. At least it gives them the capacity to take part in the economy of the country. Otherwise their existence is marginal, which means they contribute nothing to the country and receive nothing from it.

The Chairman: Father Dionne, thank you very much indeed. You have been most helpful and very informative. If you would agree, I think we might now hear from the Reverend Mr. Woeller of the Anglican Church.

Honourable senators, you have the brief of the Anglican Church, and I will ask Mr. Woeller to make the presentation.

The Reverend David Woeller, Area Secretary for Caribbean and Latin America, Anglican Church of Canada: Mr. Chairman and honourable senators, first may I say how grateful I am for this opportunity to contribute to the work of the Standing Senate Committee on Foreign Affairs, and secondly how much I appreciate this forum which you are providing for the church representatives to become better acquainted with the work we are mutually involved in.

For the Anglican Church of Canada, work in the Caribbean is of relatively recent origin. We really began our involvement there in 1965, when we saw that the Caribbean provided an opportunity for us to test a new model for overseas work, largely because we had not had a history in that area, like the history we had in Africa and Asia. These were and are areas in transition for us, where we are striving to move away from the traditional missionary society model to the model that we term developmental, a model that is much freer in terms of its structures and of its organization. In other parts of the world, where we have this longer history, we found that one of our great limitations was the natural evolution, as it were, of structures that were typically Canadian and North American, which failed to recognize the indigenous nature of the area. So for us the Caribbean is an opportunity to test a new model without a history. I use the term "developmental". I suppose what I mean is that we are seeking very hard to establish a basis of collaboration, negotiation and involvement in planning and consultation with the decision-makers, the nationals in this area.

For us the year 1963 was a significant one because it marked the second world wide

Anglican Congress, which was held in Toronto, where representatives of the Anglican Communion throughout the world gathered and committed themselves to certain principles of mutuality and inter-dependence. It was really that congress which provided the mandate for us to participate in overseas work on a new basis.

Senator Connolly (Ottawa West): You are speaking primarily there of the Anglican church in Canada.

Rev. Mr. Woeller: No, I am speaking of the world-wide communion of the Anglican Church. The document is entitled "Mutual Responsibility and Interdependence".

Senator Connolly (Ottawa West): Yes, in respect of the Toronto conference.

Rev. Mr. Woeller: Yes.

Senator Connolly (Ottawa West): I take it that you will not mind if I interject, Mr. Chairman. I take it that the decision to embark upon work in Latin America as a new venture is a decision of the Anglican Church in Canada.

Rev. Mr. Woeller: That is correct. For example, in this new model that we are testing at this point we do not support directly any work in the areas of health, primary or secondary education, or communication. When I say "communication" I mean the mass media. I suppose in part our history has taught us that in many parts of the world while these may provide valuable services to needy people, they also were seen as means of evangelizing, means of propagandizing, and subtle means of conveying standards and values, and so on, which we feel are not theirs; they are really ours.

Likewise we have no support in the Caribbean for institutions as such or for administrative services in these areas. If the church of the West Indies should request Canadian involvement in an institution or in its administration, this would receive a very low priority in our terms of reference.

The Division of National and World Program of the Anglican Church of Canada includes that area of the Church's endeavour formerly known as missionary work overseas.

We have no missionaries. We have tried to develop another model for overseas staff people, and we no longer have this term in our vocabulary.

As human experience, situations, and understanding change, the goals of the church abroad seem to be expressed in changing emphases. For the work we used to describe as "evangelism, conversion, witness and presence", we now use the concepts of "development and service". As always, the mission of the church is still based on a sense of the importance of others, of brotherhood, and of the need for God's reconciling love for all men in all the world. The underlying concept now, however, seems to be that, rather than taking the Christian church abroad, our mission is to enable the development of that which is already there as an instrument of service to those within and without its doors.

Perhaps I should add a qualifying note here by saying that in 1965 when we became involved directly with the Church of the Province of the West Indies we found a very well developed church that had a history and a tradition, which had an affinity with Canada, which shared the same kind of educational heritage and background, the same legal system, and the same kind of civil service. So, when I say we are testing a new model here I am really saying that there certainly was much to begin with that made the testing of this new model possible.

With the above goal in view, we must set out objectives, choose our means, select the priorities and plan our program.

To us, four elements seem very important in this process. First: It is urgent that programs undertaken overseas—and now I am referring especially to the Caribbean area, and perhaps I should identify the areas. When I say there are eight dioceses in the church of the Province of the West Indies I should say that these dioceses include the diocese of Nassau and the Bahamas, the diocese of British Honduras, the diocese of Jamaica, the diocese of Antigua with St. Martin, St. Kitts, M. Nevis Montserrat, the diocese of the Windward Islands, including St. Vincent, St. Lucia, Grenada, and the Grenadines, the diocese of Barbados, the diocese of Trinidad and Tobago, and finally the diocese of Guyana.

Senator Connolly (Ottawa West): Each with a bishop?

Rev. Mr. Woeller: Each with at least one bishop, and in some cases two.

Senator Connolly (Ottawa West): That has been there for how long?

Rev. Mr. Woeller: That has been there from the 17th century. This autonomy of the Prov-

ince of the West Indies is more recent because in earlier times this region was administered largely from London through various missionary societies, and so on.

The personnel whom we support overseas should therefore be employed chiefly in training and planning with nationals, so that as quickly as may be possible the Canadian can transfer his responsibility to the national.

The Chairman: I do not wish to interrupt you Mr. Woeller, but I am interested in the sentence before that in your brief. I refer the committee to page one of the brief where it is stated "and not merely excrescences transplanted from a foreign culture". When I read that word I felt that it was a very strong one. As we have heard from the previous witness, there is certainly a great debate about the kind of thing that might be transplanted, but I was surprised at the use of this word. I wonder if you might amplify it.

Rev. Mr. Woeller: As I see the Caribbean, I suppose I sense that the crucial issue is one of identity. For us there has been so much Englishness, and the neo-colonialism is even more colonial than the original colonialism, and this has all the pitfalls and dangers magnified many times. I have seen, and I am sure others have as well, pieces of work and projects that really are just what that word suggests.

The Chairman: You stand by your word?

Rev. Mr. Woeller: I stand by my word, yes.

So, too, the money that we send should be used for purposes of building up the local church by training programs, or by creating experiments and resources, for this same end.

Second: There is the necessity of continuous dialogue between us and the church to whom we send personnel or money.

To work with any hope of success, we must listen to the people overseas. We must learn to plan with them, not for them. To do this, we must have conversations with people on the spot; with them we must examine and evaluate our programs. We must do all that we can to avoid succumbing to the greatest temptation—that of taking overseas and imposing there our preconceived ideas of development.

Third: Following naturally from the first two, is the principle of intelligent planning with some attention to the scope of the project.

We too have had experiences like those of Father Dionne, where in other parts of the world, notably in Amritsar in northern India, where colleges have been developed and that sort of thing. Hindsight, of course, is always of greater learning value than foresight, and we realize now much of the folly of some of our work there.

We do not exclude a small project if it is of an experimental nature and if it may have wider ramifications in the future. But we try to concentrate our efforts where they can be most useful. We prefer a provincial project to a diocesan one, and a diocesan project to a parochial one.

Fourth: Also following from the preceding, is the principle of ecumenism. Whenever possible, we must consult with and act with other Christian bodies, governments, and with other secular agencies. We seek both to avoid overlap, and to ensure the fullest use of our combined resources.

Our involvement in the Caribbean dates from 1965 and until 1969 included most of the countries and territories of the Church of the Province of the West Indies: Jamaica, Antigua, St. Maarten, Barbados, St. Vincent, St. Lucia, Trinidad and the Territory of British Honduras in Central America, Guyana in South America. In 1969 we became involved directly with the Episcopal Church of Cuba. In 1965 the amount we budgeted for work in the Caribbean was \$7,500; today it is close to \$100,000.

Our program falls into six categories:

1. Planning:

The Anglican Church of Canada offers funds and consultants to assist the Church in the Province of the West Indies.

This would be short term consultants staying for two, three or four weeks.

(a) in its work to up-grade ordination and post-ordination training of clergy and the training of lay readers, for example, providing consultant and funds for Provincial and Caribbean—interdenominational consultation on the future of the ministry, held recently in Kingston, Jamaica, in November 1969;

(b) to develop parallel and more equitable clergy pension plans within the various dioceses and thus relieve hardship and facilitate a regional policy for deployment, for example, the Provincial Pension consultation in Trinidad, also in November, 1969;

(c) in Provincial Program Planning—to facilitate the integration of province-wide programs and resources.

There has been so much sectionalism in the Caribbean as far as we know it. There must be some greater integration both in terms of resources and planning in programs.

2. Training of Personnel:

This takes place at three levels:

(a) Undergraduate training of West Indian ordinands, which is our highest priority. Funds are provided for students studying for the ministry in the West Indies, at both the United Theological College in Kingston, Jamaica and Codrington College in Barbados.

(b) Postgraduate training of West Indian clergy and laity. Bursary assistance is provided to men and women who have been recommended for graduate work, preferably in the West Indies, otherwise in Canada or the United Kingdom. We do have post-graduate students studying at the Social Welfare Centre at the University of the West Indies in Kingston and some in Canadian universities.

(c) On the job training offered by Canadian personnel on a short term basis who work with West Indians in their situation, providing skills and follow-up resources largely in the areas of parish and team ministries, community development, youth work, agricultural development and co-operatives. For example, in British Honduras the New Capital Team, which will soon work in the Ecumenical Centre in the capital, local leaders of the Antigua Co-operative Development Council, diocesan youth leaders in Guyana and Jamaica, and the proposed plan for training clergy of the Episcopal Church of Cuba.

3. Diocesan Consultations:

The Anglican Church of Canada offers each of eight dioceses in the Church of the Province of the West Indies and the Episcopal Church of Cuba the services of its area secretary and other national staff to assist in the planning and development of their diocesan programs, including some projects which might later qualify for Canadian support. These are the Diocesan Youth Program in the Windward Islands, Leadership Trainer for the Council of Churches in British Honduras, Diocesan Youth Work in Jamaica and clergy training in Cuba.

4. Canadian Personnel:

It is at the request of the Church of the Province of the West Indies that the Anglican Church of Canada recruits, selects, trains and

sends personnel to serve for a three year period. Such staff are supported on a shared basis. Canadians receive, in the field, the same salary and allowances as their West Indian counterparts. The difference between the field amount and the Canadian salary is held in Canada until completion of their term.

This in fact becomes a resettlement grant for people to get back into Canadian society.

In all cases personnel are involved in either a developmental or training ministry and are asked, within three years, to find a national to succeed them.

I am delighted about the success that we have had in this regard, the readiness of first class West Indian personnel to take over the work that the Canadian has worked himself out of, as it were. Such nationals are offered bursary assistance by us for further training. For example, there are now a Guyanese priest and a Jamaican priest who have taken over from Canadians and are studying at the Social Welfare Centre in Kingston, Jamaica. We are embarking on the same kind of program in St. Vincent, St. Lucia and in Antigua, where we are involved in a community development program in co-operatives. It is interesting for us to note that the brother of the Premier of Antigua is to replace a Canadian who has been the Director of Christian Education and that this person will take over his post on September 1 of this year.

5. Project Grants:

Where projects have been initiated locally and have a developmental training dimension, financial support is given.

An example of this is broadcast training in Guyana, where Guyanese clergy are being trained on an ecumenical basis in the use of the mass media.

6. Summer Student Canadian and Overseas Work Tours:

The Anglican Church of Canada sponsors work tours to various Caribbean territories. Groups of six to ten Canadians join in community programs, such as recreational and educational summer school activities, children's and youth camps, and social welfare programs.

About 35 Canadians go to the Caribbean each summer to such places as British Honduras, Jamaica, Antigua, Nevis, St. Vincent and Guyana.

This program has a second phase, which we find quite exciting. A corresponding number of West Indians come to Canada each summer

to participate with their Canadian counterparts in similar programs.

Senator Connolly (Ottawa West): As leaders?

Rev. Mr. Woeller: No, as participants. They come with their leaders.

There is so much to be done; the needs are great and in such an explosive world time seems to be of the essence.

The Chairman: Thank you very much, Dr. Woeller. Are there any questions?

Senator Belisle: I was very much interested, Reverend, in what you say on page 2:

We must do all that we can to avoid succumbing to the greatest temptation, that of taking overseas and imposing there our preconceived ideas of development.

I had pleasure of attending the Commonwealth Parliamentary Association conference in October in Trinidad and made a report to the Senate. I had many discussions with conferees from many places. They told me in no uncertain terms that unless we, the whites, realized that they are the key race, that the standards of values of whites are not to be accepted at their face value or their past value—unless we realize that we will only contribute to an enlarging of those differences.

Furthermore, even in regard to dialogue, I was brainwashed because I got my training there. I said "what do you want". He said, "We want local people, we want to do our own thing, everything local", then we will look at your aid. I asked if that was in all fields and he said yes, economic and spiritual.

Rev. Mr. Woeller: I could not agree more with that assessment. For a long time, until 1969, we brought West Indian clergy in some cases and in other cases people studying for the ministry, to Canada to train. We really thought we were doing a kindness, but in effect we were drawing away some of the most able and resourceful potential leaders in those countries. So we discontinued this, certainly at the undergraduate level now. Our investment is in terms of these statements just made, that we will assist institutions in the West Indies to develop their own thing, but it needs to be their own thing.

Senator Belisle: You mentioned a while ago that in other countries people want their own local bishops. Do you mean bishops of their own nationality?

Rev. Mr. Woeller: I mean that the changeover is taking place, whereas two years ago bishops in the province of the West Indies were all expatriate Englishmen. Now, out of 13 bishops there we have 5 who are West Indian. The changeover will come very quickly. I forecast that within the next two years at least ten will be West Indian.

The interesting thing for us is that in these elections in certain countries where the issues of identity are very clearly drawn, the people understand what is what. I can illustrate this from St. Vincent where there were three people nominated as bishops and the Vincentian was elected on the first ballot. The feeling was so strong in St. Vincent they wanted to work away at their own question of national identity.

Senator Robichaud: I notice in your brief you mention the activity of your church in Cuba. What has been the experience or how has the situation of the church in Cuba evolved since the Cuban revolution?

Rev. Mr. Woeller: Until the revolution, the Episcopal Church of Cuba was really an overseas jurisdiction of the United States of America, in other words it was administered from the United States, with an American bishop. At the time of the revolution this of course ceased. After some months a Cuban was elected bishop.

In terms of aid programs the Americans still do contribute aid to the Episcopal Church of Cuba by way of Geneva and the World Council of Churches. But the affairs of the Church of Cuba, as of the Lambeth Conference in 1968, have been put in the hands of a provincial commission which really consists of the Archbishop of Canada, Archbishop Clark, the Archbishop of the Province of the West Indies; and the bishop in Puerto Rico. The affairs are administered now by this provincial commission. Our involvement in Cuba is of very recent origin, since Bishop Gonzalez came to Canada in August 1969 when he expressed the desire for liaison with Canada. It was on his invitation that I went to Cuba in December.

I think the opportunities for Canadian involvement in Cuba exist but they need to be carefully selected. A good deal of discretion is necessary. The greatest problem is finding themselves in the new revolutionary situation, what is their identity and what they can do in Cuba, what kind of ministry can be appropriate to a country like Cuba. This is

their greatest concern and one which they are working on very hard. They have expressed some desire for help in that. It is really very early in our involvement, it has been just in the last couple of months.

Senator Connolly (Ottawa West): I think your presentation here has been an outstanding one. I was particularly interested in what you said about ecumenism and the co-operation of the churches working in the Caribbean area. I take it this is a very real thing as far as the churches are concerned. What effect does it have upon the people who recognize that it is aid?

Rev. Mr. Woeller: I suppose it is somewhat akin to Canada in a way. There are people who have a very parochial orientation to the church, a very personal devout kind of investment personally in the church. It is their parochial church and this is what has nurtured them in many ways at the local level. I am talking about parish to parish. There is still a certain amount of uneasiness about recognizing our brotherhood in Christ, our son-ship in Christ. Interestingly enough, resistances, once they are made, are not nearly as formidable, in our experience, and it is possible in many areas to collaborate.

For example the whole area of training men for the ministry was something we felt would be a long time coming, that there would have to be close collaboration between the churches. But our experience in Kingston in November really proved the opposite, that the Roman Catholic Church, the Methodist Church, the Church of the Province of the West Indies, the Presbyterian Church, all expressed great concern for this.

Senator Connolly (Ottawa West): There is room in the training of men for the clerical life, I take it, to participate in common places of study and subjects of study, particularly in the social services?

Rev. Mr. Woeller: Very much so, and even in the theological disciplines, too. The most notable example for us in Canada, I suppose, is in Toronto, where the Toronto School of Theology began this past September, in which all the major denominations are very much involved. It is not only, therefore, at the social science level, which is an important level, but also in many of the theological and bibliographical studies.

Senator Connolly (Ottawa West): I was aware of the Toronto development, and I can

understand it in a developed country such as ours. It surprises me that it should have expanded to the point where it is possible in a relatively underdeveloped area such as the Caribbean. This is a very salutary movement.

Rev. Mr. Woeller: The economics of the situation have a lot to do with this.

Senator Connolly (Ottawa West): I have no doubt about that, but I hope we do not get into the Marxist principle that this is the determining factor! None the less, I think it is an extremely salutary kind of development. I forgot to ask Father Dionne one thing, and perhaps I could do that now, Mr. Chairman. In the Catholic Church there, do they now use the vernacular in the services rather than Latin?

Father Dionne: In Latin America they have been ahead all the time in this respect.

Senator Connolly (Ottawa West): That in itself, I think, would make it possible for collaboration. Do they have inter-denominational services as we have them here?

Rev. Mr. Woeller: The Week of Prayer for Christian Unity provides a great opportunity in most countries in which we are involved. This is well observed.

Senator Connolly (Ottawa West): Thank you very much.

The Chairman: Honourable senators, once again, I think we should try to preserve the principle of equal time. I would only say to you, Mr. Woeller, as Senator Connolly has said, that we are extremely grateful to you for your most thoughtful and informative brief.

Perhaps we could now proceed to hear from the United Church. Dr Legge, we welcome you most heartily.

Dr. Garth Legge, Associate Secretary, Board of World Missions (with special attention to Africa, Latin America and the Caribbean), United Church of Canada: Mr. Chairman, honourable senators, first of all I wish to express my personal thanks and the appreciation of the United Church of Canada for the invitation to be with you this morning. You are embarked upon a very interesting and important study and discussion, and we are honoured to be able to participate in it with you.

I have an apology. It is that the small brief which is now in your hands was not submitted prior to this meeting. When your invita-

tion came I was travelling in the Caribbean, in Great Cayman, Jamaica, Costa Rica and British Honduras, and came home only recently. The only possibility left to me was to put down on paper in point form what you now have before you. I must say that even my warmest friends level at me the accusation that when the chill winds of winter begin to blow in Canada I almost invariably take off for warmer climes.

Senator Connolly (Ottawa West): Why not?

Dr. Legge: I try to justify this accusation every winter!

The Chairman: I may say there is a similar sort of movement underfoot here.

Senator Haig: We are not getting very far with it though.

Dr. Legge: It is worth working at, honourable senators.

I think it will be clear from even the cursory examination you will have been able to give this small brief that we representatives of the churches in Canada have had no caucus prior to our appearance before you. No doubt this is valuable in itself, because you will see immediately that we proceed from slightly different points of view. We each trail different histories and therefore approach the Caribbean area from different perspectives.

You will see from my brief that the role of the United Church of Canada in Caribbean affairs is a very limited one. Traditionally the United Church has been involved to a far greater degree in Asia and Africa than in the Caribbean, also in Latin America. My own background, for example, happens to be Africa. Nevertheless we have had, and continue to have, what we believe to be a fruitful involvement with some of the peoples of the Caribbean area, from which I would say we are the beneficiaries at least as much as the peoples of the Caribbean. I would like to make that point rather strongly, since we have not had the opportunity yet to do so. The Caribbean peoples have a tremendous contribution to make to Canadian culture, development and self-understanding. It is perhaps in no small way through the role of the churches in the Caribbean that this influence and this contribution are fed back into Canadian life.

Senator Connolly (Ottawa West): Hear, hear.

Dr. Legge: You will see that the countries in which we work are limited, if I may speak briefly for the United Church of Canada and not dwell at length on the individual points set out before you. In Trinidad there are some 14 people, in Grenada two, in Jamaica seven, in Grand Cayman two, in Costa Rica three. Our relationships with Panama, British Honduras and Haiti are of much less significant proportions. I may have an opportunity to mention them, or perhaps you would like to ask questions about them later.

The United Church of Canada personnel in the area total 28, and they serve under a variety of categories, such as secondary school teachers, student councillors, social workers, parish ministers, a farm manager, theological professors and a librarian. Currently we are seeking a medical doctor for Haiti, where we work under the Methodist Church; we are seeking trade school instructors, a business manager, an additional minister for Jamaica, and secondary school teachers for several of these countries.

The financial outlay in which the United Church of Canada is involved amounts to roughly \$250,000 annually. That is Canadian dollars. This is part of an annual budget of some \$3 million from the Board of World Mission of the United Church of Canada for its collaboration with churches in all parts of the world.

Senator Connolly (Ottawa West): Mainly developing countries?

Dr. Legge: Mainly developing countries, sir. In Africa, for example, in Zambia, Tanzania, the Congo, Lesotho and countries of that kind. In all cases, in the Caribbean as well as elsewhere, we work with other churches in the area, sister churches or, in some cases, secular agencies. I have listed some of these major agencies. There is the United Church of Jamaica and Grand Cayman, which is a recent union of churches, including the Presbyterian and Congregationalist Churches of Jamaica. Of course, as a United Church in this country, we feel it appropriate that wherever possible we should work with the united and uniting churches in other countries.

If I am permitted, honourable senators, I should like to say a word about the relationship with the Presbyterian church in Trinidad and Grenada. It was begun in 1868 by the Presbyterian Church in Canada. In 1925, at the time of union, the United Church of Canada continued its relationship with the

Presbyterian Church in Trinidad and Grenada. So, in 1968 this church, which was the product originally of Canadian missionary enterprise, celebrated its centenary, and the church is a very interesting one in that it was originally the product of work among the indentured East Indian labourers who were brought to the island after the emancipation of the slaves and when the plantations needed an additional labour force.

This particular group in Trinidad at that time one hundred years ago was very much a neglected part of the population. Dr. Morton from the Maritimes was drawn to this group, and as a result over the subsequent history a church has grown up which is now 99 per cent, one would say, East Indian in composition.

The major contribution which it has made to the life of Trinidad, in both the colonial and post-colonial periods, has been in the area of education. Even today there are some 65 elementary and primary schools, and some six secondary schools of quality, under the sponsorship of this church.

It has been necessary because of the fact that we live in a post-colonial situation, and because of the involving theory of missionary co-operation under which we work, for us to be engaged in in-depth consultation and dialogue with the Presbyterian Church in Trinidad for the last five or six years.

As it so happens, I myself, when on leave from Zambia, was asked to do a survey of the church in its setting in Trinidad in 1965, as a result of which I later took on my present work. We have been consulting with the church. There have been two major consultations in Trinidad itself, and we have evolved a totally new pattern of partnership, which is no easy thing, and perhaps no small achievement, after 100 years of partnership in another mode.

According to this new arrangement the United Church of Canada will no longer be recruiting missionary personnel. The Presbyterian Church in Trinidad will, of course, be free to engage additional workers from Canada, even from the United Church of Canada, or, indeed, from anywhere it sees the need, and feels that it has the capacity to engage them. We are also phasing out the institutional support without which, of course, the educational enterprise could not have been built up.

Incidentally, throughout the centenary local church leaders, Senator Neehall among them,

said that over the one hundred years they had received (T&T) 20 million from Canada, which is approximately \$(Can.) 10 million. It is this kind of financial dependence and collaboration that is being phased out.

In the Caribbean also we have a very good relationship with the Methodist Church in the Caribbean and the Americas. It has several districts which I shall not enumerate. We work in Jamaica chiefly with the Methodist Church in the Caribbean and the Americas, and also in Haiti and British Honduras, but this is of more recent date. We also work with the Caribbean Assembly of the Reformed churches, which is an effort on the part of churches of Presbyterian quality in the various islands and territories of the Caribbean basin to join forces and so strengthen their common witness throughout the area.

This kind of confessional organization is, in the view of many, a halfway house, but it is a great step forward in an area such as the Caribbean where, for reasons of geography, insularity and divisiveness are at a very high level.

Then, of course, there is the United Theological College of the West Indies, which is an effort on the part of a number of churches throughout the Caribbean area to engage in joint theological training for the ministries of the various churches. With other Canadian churches and a large number of churches in the Caribbean area we have been involved in this enterprise from the outset, and we feel that it is one of the most significant developments in the area.

I have listed, Mr. Chairman, a number of underlying principles. I would like to say, if it needs to be stated, that what we do by way of partnership with other agencies and churches in the Caribbean is seen as a vehicle of Christian mission—we have not abandoned the terminology—by which we mean an effort to convey the life of Christ by a concern for the whole man in his society. We speak of the humanization of the work of the church, and this is an authentic expression in modern terms of the Christian enterprise and its impact upon human life.

We are concerned, of course, about values and attitudes and social goals, and although what we do—and I am speaking particularly of my own church—is miniscule in comparison to what Abbé Dionne's church, the Roman Catholic Church, does. I think he will agree that we form a common front in our

concern for a deepening of the quality of human life, and for the impact of the peoples of the West Indies. But, I would hasten immediately to say for my own church that we stress the pre-eminence of the local Caribbean churches and the development of their own authentic self-hood.

We do not speak of our projects in the Caribbean, because we have none. We participate only in projects that are determined and laid out and developed within the area itself. We do not have to the same extent as our sister churches do what one would call planning departments, because the planning genuinely is done locally. If there is a role for the Canadian church we are asked into consultation, and we happily accept that kind of invitation to collaborate.

I spoke of the limitation of the Canadian presence. At one time in Trinidad for example, we probably had up to 40 workers. This number is now down to 14, and it is decreasing fairly rapidly.

Here, honourable senators, you will see that the churches are agreed—at least, the Canadian churches represented before you today—on the dispensability of missionary service. We in the United Church of Canada have not yet thought in terms of a century, as has Abbé Dionne, nor yet in terms of three years, as has Mr. Woeller. We do not know how long the missionary presence—call it what you will—will continue to be a viable and useful force in the Caribbean, but there are indications that up until now a certain useful role is still being played, and we are quite happy to try to play it.

The stress in the churches with which we work, and certainly in our own collaboration, is on nation building and the churches' role in it. By this we mean that the churches which have traditionally stood aloof from the currents of social planning, thought, and development in their countries, and are now becoming aware of the fact that the Christian faith is not an esoteric disembodied force.

So, this is the experience that we are having in the Caribbean and elsewhere. Christian people and the leaders are trying to learn how to say yes in a positive and authentic fashion to valid national development goals, but at the same time to develop the critical faculty which will also permit them, at places where for reasons of conscience they must say no, to do just that.

This is a difficult kind of relationship to move into. Father Dionne has mentioned this

in relation to Latin America. I have not mentioned Latin America in our brief. It is a particularly acute problem in South America as how this role can be exercised, particularly in societies and nations where perhaps 95 per cent of the people are marginal to the decision-making process and small 5 per cent elites actually hold the power. This is the kind of exercise in which Caribbean churches are engaged. They tend to be conservative, one would say, because they are the product of North American, United Kingdom and European missionary enterprise. In the early days we took with us the kinds of church forms, structures and qualities which we knew. There is no point in trying to rewrite that history; those are facts. It does make it difficult for the new leaders of the churches within the Caribbean to break out of the moulds and relate creatively to the radical new situations confronting them now.

I will pass over the other points and say a word or two on the material on the second page. May I say just a word about the paramountcy of ecumenical auspices. I would like to pay a well deserved and sincere tribute to the work of the Roman Catholic Church, particularly in Latin America. This has a great spill-over into the Caribbean area. We in our church, for example, followed with considerable interest the Latin American Episcopal conference held in Colombia two years ago. Very significant work has been done there by that church, which has the preponderant influence throughout Latin America and in many parts of the Caribbean. Considerable careful work has been done concerning this factor, "conscientizacao" (an awakening of conscience) as the Portuguese refer to it. We have been learning a great deal about the role of the Christian presence in the young nations of the Caribbean from that. I am glad to pay another tribute. We have also been subscribers from its inception to the material which is coming from the institution in Mexico, the International Consultation Centre, which is presided over by a unique genius, Mgr. Ivan Illich who manages to get himself into difficulty with almost everyone but nevertheless is a creative person in Latin America and, by extension, in the Caribbean scene. We get a great deal of help from these Roman Catholic sources and are glad to pay tribute to it.

In Panama we are related to a project, in a minor way, a financial way, which is run by Father Pablo Harvey Steele, of the Scarborough

ough Mission Fathers, in which he gives very fine leadership. It is mentioned in the next section, the Instituto Co-operative Inter-Americano.

He gives leadership to development workers who come from all over Latin America and the Caribbean in 90 day courses which prepare them to go back having understood something of the dynamics of community development in their own areas.

This takes me to some of the current projects in which we participate. I would like to mention Knox College in Jamaica in particular, because it is an example of collaboration between a Canadian church and a Jamaican church. Also, as we shall see later, it represents collaboration between a Canadian church, the United Church of Canada in this case, and the Canadian International Development Agency. Knox College is a very significant educational experiment set in Jamaica and Grand Cayman, which began in the days of the Presbyterian church before union. In Jamaica the problem, as its very dynamic principal sees it, is to adapt the inherited British educational system to the natural development needs of a Caribbean country. The product of the old education system was an elite trained academically who, however, shunned any form of manual work or connection with matters other than academic or business. For the most part they were content to sit on the verandah sipping gin and watching the rest of the people do the work. It is the old planter caste, if you will. We must attain the goals of the educational system in Jamaica if this end product is to be changed. Very up to date methods of education have been developed there. When I was there a week or two ago the staff was demonstrating the use of simulation games in order to bring the students into the feel and flavour of what is involved in complicated international relations today. It is this kind of a forward looking school. The principal is also inculcating the desire to serve. The service mentality is a primary education goal in Knox College. There is a farm in connection with the college. We were asked for and were able to send the farm manager, a rancher from Alberta who has a great gift for human relationships as well as agricultural knowledge. Every student in Knox College when he registers must accept that he will be integrated into a work program and will be assigned tasks in the school in connection with the raising of hogs, cattle,

gardening and other projects. At the same time he must maintain his fairly high academic standing. This is the kind of project in which we are from time to time asked to assist and in which we are very happy to comply. Others are listed which we have not time to mention. We have not time to speak about the role of the United Church of Canada in relation to development. I am, of course, trying to focus on the Caribbean area, which is your special subject of concern, but one cannot isolate the Caribbean area when speaking of development, so it becomes an example of a general principle of policy.

We are convinced, along with sister churches throughout this country, that one of the major roles, if not the major role of the churches, will be in the field of developmental education. It is our view that the people of Canada and of the developed countries generally need to come to a new understanding of what Barbara Ward has called the fact that we are planetarians. We know this intellectually, but have not yet really embraced it in our heart of hearts. The new criteria of which she speaks are themselves an attitude-changing educational approach. We feel that our own and sister churches are uniquely qualified to bring these insights home to people. We are continually accepting this as an obligation in relation to the full program of development in a world where the haves and have nots are so strikingly in contrast and the gap, as we know, widens hourly. We realize that this is going to be an extremely difficult task—because we are an oasis in the desert—to convey something of the urgency of the revolutionary situation we are confronted with in the world, the fact that the aid that we give to develop can be used in Latin American places as a scheme whereby we become richer at their expense.

How can we deal with this very stubborn problem, in an attitude changing the educational process, which will eventually benefit the Caribbean and other parts of the third world, is the kind of challenge we are seeking to meet.

Honourable senators, it was overlooked in the opening statement, but I am also to greet you in the name of the Canadian Council of Churches. I am the chairman of its Commission on World Concerns and I know I speak for the other churches in saying we feel that the development problem is so central, so unique, so strategic, that it cannot be dealt with by isolated groups and the common

approach to this very urgent and insistent issue is imperative. In the Canadian Council of Churches, in which all these three churches are represented, we are striving together to develop ways and means of giving substance to the concern I have outlined and seeking to work in the closest possible collaboration with the Canadian Catholic Conference.

The final points which I have raised in this all too brief shorthand kind of memorandum, had to do with the relation of the United Church of Canada to CIDA. Here again there is the aspect of how this has a bearing on the Caribbean area. I give one example. I have mentioned Knox College in Jamaica. We have put considerable financial resources into Knox College. We have three staff members there at the moment and I would say that for a relatively small church like our own we have probably invested \$75,000 in Knox College. On the basis of this collaboration and on behalf of Knox College we made a submission to CIDA in its favour and the first grant from CIDA has now been paid to Knox College of \$33,000 and, all being well, we are entitled to hope this may be repeated for two more years, to a total of \$100,000. We feel this money will be very well invested in a significant way on behalf of the voluntary agencies which are now being aided by CIDA. We are very much aware of the benefits of this particular program.

There are some special concerns regarding the Canadian development role in the Caribbean. We have not time to deal with them, nor would I suggest, Mr. Chairman, that I or my colleagues in the United Church of Canada have the expertise to address ourselves to this. But in the Canadian Council and in the church we attempt to draw on the expertise of those who are familiar with the issues. I have simply said that there are some concerns which are being studied. It would be wrong for us to use the Caribbean primarily, if not solely, as a source of raw material. We feel that the encouragement of labour and the intensifying of the secondary processing industries should be examined carefully. Collaboration in family planning programs where these are now viable, is an area we are looking at. Recently in Jamaica I discovered that intensified family planning program is now under way, under official auspices of government, where you find large poster signs and advertisements in the newspapers regarding

the population explosion, in the Caribbean as elsewhere in the third world, and this is an important area which needs to be looked at carefully.

One mentioned a certain element of caution regarding Canadian military associations in the Caribbean. It was noted again in Jamaica that this is a subject of discussion among thoughtful people, that the Canadian armed forces are having exercises, for the second or it may be the third term, in Jamaica. I am saying that the kind of public image which we convey is very important, and also the goals that we have.

Speaking of tied aid, perhaps no interest or low interest loans—we are stressing particularly that development goals should be generated within the Caribbean, rather than that we should see the development process primarily through Canadian eyes as a means of which market and investment initiative for Canadians are insured.

We do not deny that these are valid and important questions to raise, but it is a question of emphasis and certainly our role in the Caribbean is now, it would seem to me, being judged on the degree to which we are sensitive to the genuine national development goals of these small, shall I say, helpless countries.

To conclude, one would say that special emphasis on the Caribbean area on the part of the Canadian Government and voluntary agencies is to be welcomed, at a time when United States influence is in many areas suspect because of the power problem, and at a time when British influence is receding; and when, in our own country, we have such increasing numbers of West Indians who are contributing to the development of our own national identity.

The Chairman: Thank you very much, Dr. Legge, for your most informative and lucid presentation. I have spoken to Miss Whale, who is here on behalf of the Presbyterian Church in Canada, and we have jointly agreed, if it meets with your pleasure, that her presentation—which of course is equally informative and interesting—might be taken as read and form part of the proceedings, rather than have Miss Whale read it. I would entertain a motion for that purpose?

Hon. Senators: Agreed.

Miss Mary Whale, Executive Secretary for Overseas Missions, Presbyterian Womens Missionary Society: Mr. Chairman and Honourable Senators, the paper prepared on behalf of the Presbyterian Church in Canada is as follows:

We would express the appreciation of the Presbyterian Church in Canada for the opportunity to share in the considerations of the Caribbean being discussed by this Senate Committee.

The Presbyterian Church of Canada like other Churches has for many years shared in the development of Caribbean Islands. While historically our Church was first in Trinidad, the greater resources of time and money have been spent in Guyana. With the development of a United Theological Seminary in Jamaica, and a federation of the reformed churches of the Caribbean in the Assembly of Reformed Churches of the Caribbean, our interests have broadened geographically.

Since this representation is intended to ascertain how various agencies have attended to meet man's needs in the Caribbean, we will not dwell on the basic premise of the Christian mission movement.

Our interest in Guyana where historically we have expended more effort, is in the development of all areas of Guyanese life. We desire to see the Guyanese masters of their own household, taking initiative to develop their life culturally, economically, and socially.

Historically, our first contact in Guyana was through clergymen who were invited by estate owners to come and teach the children of the estates. This contact placed our workers among East India people and we have worked with this group ever since. Schools were built, some with the help of estate owners, but more with money provided either through the Mission Board or by friends of the missionaries. Because the teachers were ministers, the school room became also the Church and the Christian community gradually grew. Churches were built in many places but the close contact between the school and the church continued. The missionaries established secondary schools and a Bible School; the latter to train pastors and women workers to give Christian leadership.

Elementary schools developed under the Canadian Presbyterian Mission and were

labelled Canadian Presbyterian Schools. The teachers were hired by the Mission Council, a group of missionaries who were responsible to the Canadian Board of Missions. This meant that the administration of education was entirely in the hands of a Canadian administrator who not only had the power of hiring and firing but also the establishment of curricula. The teacher training in the country was quite elementary: high school graduates trained as interns. As they gradually became acquainted with the curricula they undertook their own classroom responsibility. The schools were as a rule one or two large rooms. The number of students in the classroom could number as high as eighty to a hundred.

This pattern prevalent in British held colonies, had many obvious weaknesses. However, despite these the record shows that the system produced the leaders in Guyana today. It will be understood that the education system described was a system shared by the Presbyterian Church with other religious denominations.

As the Guyanese government became more indigenous the education system became one of the prime concerns of the Guyanese leaders. The government began paying for all of the education through grants to the administering bodies. There began a concentration on establishing a system of education by which the government would be responsible for teacher training and the curricula of the schools. In this development the Canadian Church shared responsibility. We welcomed the higher standard of teacher training. We shared in that training by bringing two high school principals to Canada. They studied at the Ontario College of Education, Toronto, specializing in school administration, curricula and student guidance. Gradually the question of school administration became one which seems better performed by the government administering schools, both elementary and secondary. The government began to establish its own schools and a teachers training school was established which gave the teachers a more solid grounding in the science of pedagogy. The Mission for several years maintained an administrator who was responsible not to the Mission Council but to the Department of Education of the government. This meant that the Canadian missionary or missionaries were working with the government of Guyana for the advancement of education.

The concentration on education by the Canadian Presbyterian Mission, left the training of ministers and women leaders in the Church far behind in the standard of training. The Church through lack of well educated leaders did not have the spiritual influence it should have. The Canadian Mission realized that those who were called to be clergymen and deaconesses should be qualified for and be able to obtain a high standard of education. So, the Bible school was closed and the candidates for the ministry sent to the Union Theological Seminary in Kingston, Jamaica. This broadened the Canadian Presbyterian interest in the wider area of the Caribbean and led ultimately to a share financially in the Seminary, particularly through the provision of a staff person, for that Institution.

Education continued to be a prime concern of the Presbyterian Mission but the concern was to assist Guyanese themselves to be responsible for their own educational work. Consequently a decision was made to turn over the school system completely to the government. This was made to the mutual advantage of both the Mission and the Guyanese government. So, while the direct involvement of the Canadian Church in Guyanese education was withdrawn, it must be said that the interest is very much there and the continuance of scholarship programmes for people in all areas of Guyanese life, is encouraged by our Church.

At the moment, we have been concentrating on the training of Church leaders. There are two, a man and a woman in Canada at the moment. This programme has been carried on consistently over approximately the last fifteen years.

In 1957 a consultative federation of the reformed churches of the Caribbean was formed. It ultimately became the Caribbean Assembly of Reformed Churches. The Assembly was held in 1965. The administration offices are in Trinidad. The Canadian Church has participated in the establishment of this Assembly and in financing the office. At the moment the Presbyterian Church has one staff person associated with the Caribbean Assembly working in the area of stewardship throughout the Caribbean area. His concentration of effort has been to this point in Trinidad.

As we share with the Presbyterian Church in Guyana now, we share with a Church that has become established in its own right.

January 1st, 1968 saw the withdrawal of the Canadian Presbyterian Mission Council and the assumption by the Presbytery of the Guyana Presbyterian Church of responsibility for the total area of Church government. Our relationship now is between Churches and the position of the Board of Missions is as a liaison, counsellor, between the Church in Guyana and the Church in Canada. The Guyana Presbyterian Church in these two years has been seeking to establish its government and to strengthen various parts of its work. The concentration has continued on education. Now it is the education of Christians to assume responsibility for the life of the Church within the community. One of the institutions which have been established to aid in this programme has been a lay training center just outside of Georgetown. This center is becoming a place where men and women may have courses of study in lay leadership within the Church and as Christians within the community.

Like other Christian groups, the Canadian Presbyterian Church has become increasingly conscious that its responsibility, its role, cannot be confined to the institutional life of the Church. It believes that it must reach out into the community to help men, women and children to understand their lives in the world in which they are. Therefore, as communities develop in Guyana and throughout the Caribbean, our very great interest is in seeing not only the Church established but that the whole community be aided to develop as community which can use the resources of men and material within it for the betterment of the life of each individual. An example of such a community is Black Bush Polder, in East Demerara County. This area was developed by government as an area to which people might go from the old sugar and rice estates to establish a few acres of land which they would first rent from government but would eventually have at least a share ownership in land. This project has undergone many problems but within such projects there is the very real hope for the development of people who are independent economically and who have a strong social sense. We would like to see the community resources developed through Christian leadership being possible throughout the whole community in recreation and study. It is our policy to welcome initiation on the part of the Guyanese for such development and to share, financially as they develop their plan and make contribution to it.

In the above respect, we recognize that one of the most difficult problems in Guyana today and to some extent in the Caribbean is the racial relationship between the African and East Indian peoples, particularly. The Church has expressed its concern in this matter. Some development has taken place between the two main racial groups within the two sections of the Reformed Church in Guyana. Historically, as we have said the Canadian Mission has been to the East Indian peoples. At the same time the Church of Scotland was establishing a similar mission among the African peoples. While there is some inter-communication, the two Presbyteries have not yet come together in one governing unit. Progress has been made organizationally between the young people of the two races within the two Presbyterian Churches and the women have established a plan of an interracial organization which has been approved by both Presbyteries.

It would appear to us in reading the previous record of the Senate's Committee that the Church in the Caribbean has very similar interests to the several interests that have been expressed our emphasis we repeat is: The development of the resources of individuals within the community. This would mean that the people of the Caribbean should have opportunity to develop and share wealth of their countries. Our approach therefore, to the Caribbean and to Guyana particularly, is that we believe that the spiritual well being of the people can be developed through the use of all the resources of the land within which they are placed. These resources are material resources but more important the resources of mind and spirit within the people themselves.

The Chairman: Before proceeding to the questions that might be addressed to Dr. Legge, Miss Whale, if you feel it is a question you might handle, by all means participate in the discussion.

Miss Whale: Mr. Chairman and honourable senators, may I underline two things in our presentation. One is the appreciation of our church that we are allowed to share in this forum. Secondly, I would like to underscore the special concern which Dr. Legge has mentioned in the last part of his presentation and say that we share these concerns very deeply. We suggested the Canadian church itself—Protestant, Roman Catholic—must undertake

responsibility for an interpretation of this kind of concern within the country itself. In other words, I am saying that some of the responsibility for the development and for the work in a community on the part of Canadians should come from within the congregational life of our communities as we attempt to interpret these things to our people here in Canada.

I would respectfully suggest, sir, that this forum is a very good example of the responsible way in which Canadian senators are undertaking the relationship between Canada and the Caribbean.

The Chairman: Thank you very much, Miss Whale. I am delighted to have that on the record.

Senator Belisle: May I preface my question by saying that I greatly appreciate what Dr. Legge has said. I would also like to express our deep gratitude for the clear and precise work all the churches are doing in these countries. I have been greatly impressed by the degree of co-operation that exists, and I only hope and pray that this will continue, and even be extended into other spheres of activity.

Before asking my question, may I say that I observed that Dr. Legge has a Ph.D. You have been such a wise, prudent and enlightening witness this morning that I presume your Ph.D. could also stand for Doctor of Psychology.

I debated with myself whether I should ask this question of Miss Whale, who I thought may give me a partial answer. My question is this. Dr. Legge, from your experience, are your people in these areas mostly lay people? Do the lay, single people adapt themselves better in these places than married people? I ask this because we know that the Catholic Church is still searching its soul over celibacy. Are you getting more success with married men in these places than with single men? If Miss Whale had been married I would have asked her.

Dr. Legge: She might well be more objective. I would not say there has been spectacularly more success by single people than married people, or vice versa. For example, we recently had a young married couple return to this country who had come a cropper there, although in theory they had the support of one another. On the other hand, we have had single people at work in the Carib-

bean for 20 years who are still there and doing well. I do not think the factors are the celibate or married status of the people involved, but rather their emotional maturity. I would add that before we send people to the Caribbean or elsewhere, so far as we are able we submit them to a rather penetrating psychological diagnosis, and on some occasions on that ground alone we refuse to send them overseas. In our experience, I do not think the consideration you mentioned has been a major one in our appointments.

The Chairman: I would like to exercise my chairman's prerogative and have a reply from Miss Whale on this, if I may.

Miss Whale: I was going to ask if I could reply to the honourable senator, because this same question was posed to a group of several people, both single and married, who were discussing service in Asia. The things Dr. Legge has said about psychological maturity and so on were our prime concerns. Nevertheless, the witness of family life was given a very high priority as part of the total contribution. I speak as a single person, but the family itself, with the wife and children there, being members of a basic unit, living and working in a foreign culture, is a great example.

Senator Belisle: Would you say that someone with the cultural background and equipment of a doctor would implant or entrench himself better than someone with more social knowledge, of anthropology and so on? What has been your experience?

Dr. Legge: I would say that in a sense the man with the higher degree of formal education is handicapped in many ways as he tries to relate himself to people of another culture. He has so much to unthink before he can think himself into a given situation, although he has understanding and tools which perhaps the other person does not have. I may say that one of our people in Jamaica is, as I have indicated, working in a farm project connected to a school. In terms of formal education he is not highly trained, but he is one of the most effective people we have sent to the Caribbean for long time, because he has a tremendous gift of rapport with ordinary people. Unless we can achieve this, we are perhaps only transplanting what we think is expertise, but which may not even be expertise once it is taken out of our own culture

and put in the Caribbean. Again, I suppose, it depends on the individual. Some highly trained people also have gifts of relationships, but in a sense they have much more to unlearn than others. On the other hand, we are very careful to try to export on request only the best people we can find.

Senator Robichaud: As time is getting on and some of us are committed to a Speaker's luncheon with our American guests, I will ask only one question, which I will keep short. I am sure honourable senators took particular notice of Miss Whale's comments on the special concern of the Canadian Caribbean development role. Could you tell us, in a very few words, how the role played by the Canadian Government could be better utilized, particularly by CIDA, in the Caribbean? What could we do to improve our relationship or make more efficient the role of the assistance we are now giving to the Caribbean?

Dr. Legge: I wish I were competent to prescribe in that way, but I do not think I am really. On the whole, what I discover as I move around the Caribbean is a good deal of satisfaction with the way CIDA has operated in the Caribbean. I am not sure of the degree to which through its structures it is genuinely capable of listening to the overseas countries in the Caribbean. I suspect there is quite good machinery for this. I would think it might be improved, but, of course, I speak out of ignorance here.

I have seen the recent CIDA descriptive folder on its role in the Caribbean, which I think is admirable. I do not know the degree to which the Caribbean area is of special concern and interest to CIDA. I think there are some reasons for enhancing that understanding of the Caribbean.

If I may again quote Barbara Ward, that great Roman Catholic economist, she said that Canada is rich enough to be important, but small enough not to be dangerous. That is a very neat way of putting it in relation to the Caribbean.

I am afraid, sir, that I am not able to give you any more specific information on that.

Senator Robichaud: I think that the few points you have mentioned already are important, and will be of great assistance to us, because they are points of which we shall take notice.

Again, I would hope that CIDA, and the Canadian Government through CIDA, will try

to improve if possible our relations with the Caribbean countries, particularly in making the local population more aware of what Canada is doing, and the purpose of what it is doing.

The Chairman: I think, Senator Robichaud, you have touched on one of the basic purposes of our particular committee, and the hearings we are holding. Although Dr. Legge says he is not an expert, as you have pointed out, the facts he has enumerated in his brief have covered the point very well.

I do not wish to close off this meeting, but we have been going at it for two and a half hours. I should like to extend to each of the witnesses who have appeared here this morning the most sincere appreciation of the committee. We have heard a number of witnesses, Miss Whale and gentlemen, but I do not recall having sat through a meeting of this nature wherein the intellectual processes and the in-depth understanding of the fundamental problems have been so lucidly expressed. On

behalf of this committee I extend to you our warm appreciation for your submissions.

Speaking once again on behalf of the committee, I think I can say that we have gained a broader understanding of the social, economic, and religious problems that do exist in the Caribbean, and of the tremendous efforts that dedicated people such as yourselves are making on behalf of your respective churches. I think I can say, on behalf of the Canadian people, that we are indeed grateful.

Senator Connolly (Ottawa West): I do hope, Mr. Chairman, that while we have spent a great deal of time questioning Father Dionne at the beginning, that the others will not feel that they were short-changed in any way. Actually, the original question was pretty broad, and the answer would probably have been repeated, as has been said so aptly. What we have had presented before us this morning is a whole new dimension in our approach to our study of the Caribbean, and it is a really wonderful contribution.

The committee adjourned.

APPENDIX "E"

[Translation]

A BRIEF
submitted to the
STANDING SENATE COMMITTEE ON
FOREIGN AFFAIRS
by the
CANADIAN CATHOLIC OFFICE
FOR LATIN AMERICA

Ottawa, February 10, 1970.

L'Abbé Gérard Dionne,
Director.

The Senate Committee on Foreign Affairs has already heard from eminent speakers and scientists, who have given a thorough analysis of the socio-economic problems of the Caribbean islands and the neighbouring countries. Mr. Armstrong's presentation was extremely successful in providing an overall view of the region under study.

I have been asked to submit a brief on the work done by our Canadian missionaries in that area—what they are doing, and why. I confess my firsthand knowledge is limited, since I have visited only Cuba, Haiti, the Dominican Republic, Jamaica to a small extent, and a few countries in Central and South America. Our Office, however, has frequent contacts with Canadians working in the field, and this enables me to present to you this short but fairly accurate outline of our Canadian involvement in those areas as a Catholic Church.

For greater clarity, I have thought it appropriate to give statistics showing the number of Canadians in each place, their status, their work and their aims (see Appendix D). The figures are based on a survey carried out in 1966, to which more than half of the Canadian missionaries replied.

Our oldest establishment dates from 1864, when the Frères de l'Instruction chrétienne from Laprairie, Quebec, went to Haiti; the *Filles de la Sagesse* have been there since 1878.

Ten years ago, we already had 1,157 Canadians working for the Church in Latin America, almost half of them in the West Indies. Our present overall strength is 2,115, of whom 890 are located in the areas with which we are concerned here. I am not

including the laymen who offer us their services but whom we have to refer to governmental or private agencies such as CUSO since we are financially and administratively unable to support them.

(1) OUR WORK

Our missionaries do not regard themselves solely as preachers of a religion, but rather as fellow workers in the development of all aspects of the human personality. It has almost always been the care of abandoned children and the sick, the poor, the orphaned and the aged that our religious and laymen and women have undertaken. They presently constitute about three-quarters of our number. Both diocesan priests and religious, in addition to running the parishes and performing purely ecclesiastic duties, have always shown themselves to be advocates of socio-economic recovery. It is they who have been largely responsible for the drive to establish co-operatives and credit unions patterned after the Coady International Institute in Antigonish, Nova Scotia, and the caisses populaires and Co-opératives Desjardins in Lévis, Quebec. Often—not to say, mostly—it is through their efforts that governments, church groups and aid agencies have been informed and made aware of the aid requirements of the peoples of the West Indies and Central and South America. I would remind you of a brief on this subject recently presented to Mr. Sharp by a group of Oblate fathers and Canadian aid workers.

We know our effort is small in relation to the need. Our limitations are the result of a lack of qualified staff, financial resources that are always smaller than the amounts of assistance requested, and our domestic requirements here in Canada, which do not allow us always to do as we wish. The fact remains that our present contribution in terms of missionaries abroad comes to 6,000 for the world as a whole, with annual expenditure probably in excess of five million dollars. Latin America alone absorbs more than half our budget, though it has only a little over one third of our volunteers.

We believe that the time has long since come to make a special effort towards this part of the Third World, now that there is a growing concern in the three Americas with building a more united world. For us, as

Canadian Catholics, this is a special duty, since more than a third of our faithful are living there, sometimes in desperation, trying to preserve their culture, their faith and their future all at the same time, but incapable of realizing their legitimate aspirations with their present human and financial resources.

(2) OUR PURPOSE IN THE WEST INDIES AND LATIN AMERICA

(A) *Why we are there:*

because the Church (a) wishes to be universal; (b) feels a common cause—particularly with the poor; (c) feels a need to be alive and growing.

because our presence was requested by (a) religious leaders in Latin America; (b) the Popes.

because we believe that at present, Latin America cannot be self-sufficient in the religious, social, cultural, economic or technical fields, and that we can be of assistance in all of them.

because our Catholic people feel a marked sympathy for Latin America, and are prepared to make sacrifices towards its development.

(B) *Why our presence must be temporary:*

because our presence may delay what we hope will be a quiet social revolution on that continent.

because nationalism—normal, but not always realistic—prevents our aid from being judged as aid, and may cause it to be viewed as religious or social colonialism.

because our missionaries, coming as they do from North America, are accused of wanting to give a North-American character to their apostolate.

because our concentration in certain places gives rise to unpleasant comparisons between our efficient, organized and wealthy ministry, and the Latin American establishment, often poor, not very rational, hampered by many reactionary traditions, but possibly better adapted to local attitudes than our apparent coldly logical religious outlook.

because our approach to aid means making ourselves redundant as soon as possible.

ANNEX I

ANGUILLA

Number of Canadian volunteers in 1970: 1 priest

Work: Parish ministry

ANTIGUA

Number of Canadian volunteers in 1970: 3 friars

Work: Teaching

BERMUDA

Number of Canadian volunteers in 1970: 16
1 bishop—7 priests—8 nuns

Work: Primary and secondary teaching
Parish ministry

BAHAMAS

Number of Canadian volunteers in 1970: 26
1 bishop—9 priests—12 nuns—4 laymen

Work: Rural dispensaries

Primary schools

Parish ministry

Some Statistics:

RURAL DISPENSARIES

Number: 1

No. of persons treated per year: 804

Total staff: 2

Canadian staff: 1

PRIMARY SCHOOLS

Number: 2

No. of students: 462

Total staff: 15

Canadian staff: 6

CARRIACOU

Number of Canadian volunteers in 1970: 2 members of the Madonna House Apostolate (Secular Institute)

Work: Training centre for women in the co-operatives and working class.

CUBA

Number of Canadian volunteers in 1970: 39
(21 priests—18 nuns)

Work: Primary schools—Adult literacy schools

Libraries—Recreation centres

Urban and rural parishes

Some Statistics:

PRIMARY SCHOOLS:

Number: 3

Number of students: 350

Teaching staff: 20

Canadian staff: 15

ADULT LITERACY SCHOOLS:

Number: 7

LIBRARIES

Number: 7
 No. of books in each of the 7 libraries:
 between 200 and 1,000
 Canadian staff: 7

RECREATION CENTRES

Number: 1
 Used by: 100 young people
 Canadian staff: 1

URBAN PARISHES

Number: 4
 Canadian staff: 4

RURAL PARISHES

Number: 27
 Canadian staff: 16

DOMINICA

Number of Canadian volunteers in 1970: 6
 4 friars—2 laymen
Work: Teaching—Care of sick

GRENADA

Number of Canadian volunteers in 1970: 2
 members of secular institute
Work: Adult education centre founded by two
 graduates of the Coady International
 Institute of Antigonish: co-operatives,
 credit unions.

GUADELOUPE

Number of Canadian volunteers in 1970: 21
 3 priests—18 friars

Work:

Primary and secondary schools
 Technical and agricultural schools
 Library—Small seminary
 Rehabilitation home for orphans and
 delinquents

Some Statistics:

PRIMARY SCHOOL

Number: 1—Number of students: 120
 Teaching staff: 6—Canadian staff: 1

SECONDARY SCHOOL

Number 1—Number of students: 147
 Teaching staff: 8—Canadian staff: 4

TECHNICAL SCHOOL

Number: 1 (apprenticeship)
 Number of students: 120
 Total staff: 30—Canadian staff: 3

AGRICULTURAL SCHOOL

Number: 1 (horticulture)
 Number of students: 36
 Total staff: 4—Canadian staff: 1

LIBRARY

Number: 1—Number of books: 1,000
 Canadian staff: 1

SMALL SEMINARY

Number: 1
 Canadian staff: 4

REHABILITATION HOME

Number: 1
 (for orphans and delinquents)
 Number of students: 275
 Total staff: 35—Canadian staff: 9

GUATEMALA

Number of Canadian volunteers in 1970: 66
 12 priests—37 nuns
 3 members of secular institute—14 laymen

Work:

Primary and secondary schools
 Adult literacy schools
 Food distribution centres
 Large and small seminaries
 Dispensaries—Visits to families
 Parish ministry—Catechesis
 Home economics school
 Savings co-operative

Some Statistics:

PRIMARY SCHOOLS

Number: 2—Number of students: 350
 Total staff: 11—Canadian staff: 5

SECONDARY SCHOOL

Number: 1—Number of students: 60
 Teaching staff: 9—Canadian staff: 1

ADULT LITERACY SCHOOLS

Number: 2—Number of students: 128
 Teaching staff: 10—Canadian staff: 6

FOOD DISTRIBUTION CENTRE

Number: 1—Number of recipients: 800
 Canadian staff: 2

LARGE SEMINARY

Number: 1
 Canadian staff: 4

SMALL SEMINARY

Number: 1
 Canadian staff: 1

GUIANA

Number of Canadian volunteers in 1970: 14
priests

Work:

Primary schools
Parish ministry

Some Statistics:

PRIMARY SCHOOLS

Number: 7
Number of students: 4,281
Total staff: 114
Canadian staff: 6

FRENCH GUIANA

Number of Canadian volunteers in 1970: 4
nuns

Work:

Teaching
Leprosy detection centre

HAITI

Number of Canadian volunteers in 1970: 421
1 bishop—41 priests—75 friars—277—nuns
—15 members of secular institutes—12 lay-
men

Work:

Rural and urban dispensaries
Private and government hospitals
Primary and secondary schools
Normal schools—Technical schools
Family institutes—Nursing schools
Commercial schools—Classical colleges
Adult literacy schools
Radio stations—Libraries
Recreation centres—Social service centres
Co-operatives—Food distribution centres
Urban and rural parishes
Catechesis schools—Novitiate
Large and small seminaries

Some Statistics:

RURAL DISPENSARIES

Number: 21
Number of persons treated per year:
153,911
Total staff: 66—Canadian staff: 20

URBAN DISPENSARIES

Number: 3
Number of persons treated per year:
27,413
Total staff: 11—Canadian staff: 4

PRIVATE HOSPITALS

Number 5:
Number of patients per year: 1,758
Total staff: 152—Canadian staff: 11
21276—3½

GOVERNMENT HOSPITALS

Number: 2
Number of patients per year: 1,551
Total staff: 209—Canadian staff: 4

RECREATION CENTRES

Number: 1
Used by the young people from some ten
institutions
Canadian staff: 1

SOCIAL SERVICE CENTRES

Number: 3 (drop-in centre, home for
girls, etc.)
Canadian staff: 4

COOPERATIVE

Number: 1
Number of members: 63
Canadian staff: 1

FOOD DISTRIBUTION CENTRES

Number: 7
Number of recipients: 2,050
Canadian staff: 8

URBAN PARISHES

Number: 7
Canadian staff: 32 (4 priests—28 nuns)

RURAL PARISHES

Number: 18
Canadian staff: 60 (7 priests—53 nuns)

CATECHESIS SCHOOLS

Number: 34
Number of students: 2,700
Teaching staff: 86
Canadian staff: 36

NOVITIATES

Number: 2
Canadian staff: 8

SMALL SEMINARIES

Number: 2
Canadian staff: 4
Number of students: 47

PRIMARY SCHOOLS

Number: 85
Number of students: 27,874
Teaching staff: 673
Canadian staff: 131

SECONDARY SCHOOLS

Number: 22
Number of students: 1,841
Teaching staff: 85
Canadian staff: 39

NORMAL SCHOOLS

Number: 4
 Number of students: 202
 Teaching staff: 25
 Canadian staff: 19

TECHNICAL SCHOOLS

Number: 1 (plastic art)
 Number of students: 30
 total staff: 1
 Canadian staff: 1

FAMILY INSTITUTES

Number: 13
 Number of students: 319
 Teaching staff: 18
 Canadian staff: 10

ADULT LITERACY SCHOOLS

Number: 5
 Number of students: 325
 Teaching staff: 21
 Canadian staff: 4

LIBRARIES

Number: 8
 Number of books: 4,420
 Canadian staff: 6

COMMERCIAL SCHOOLS

Number: 2
 Number of students: 162
 Total staff: 7
 Canadian staff: 2

CLASSICAL COLLEGE

Number: 1
 Number of students: 242
 Total staff: 14
 Canadian staff: 7

NURSING SCHOOLS

Number: 1
 Number of students: 33
 Total staff: 15
 Canadian staff: 1

HONDURAS

Number of Canadian volunteers in 1970: 128

1 bishop—54 priests—66 nuns
 2 members of secular institute—5 laymen

Work: Rural and urban dispensaries
 Government hospital—Nursing assistants
 school

Primary and secondary schools
 Norman school—Family institute

Adult literacy school
 Radio broadcasting schools—Training of
 monitors for these schools

Recreation centres—Cultural centre
 Co-operatives—Union education
 Food distribution centres
 Urban and rural parishes
 Catechesis schools
 Large and small seminaries
 Social and professional training sessions
 Agricultural and technical services station
 Orphanage—Student residence
 Savings and credit bank

Some Statistics:

RURAL DISPENSARIES

Number: 1
 Number of persons treated per year:
 4,800
 Staff: 5
 Canadian staff: 5

URBAN DISPENSARIES

Number: 2
 Number of persons treated per year:
 5,000
 Total staff: 2
 Canadian staff: 2

GOVERNMENT HOSPITAL

Number: 1
 Canadian staff: 3

PRIMARY SCHOOLS

Number: 4—Number of students: 819
 Teaching staff: 26—Canadian staff: 12

SECONDARY SCHOOLS

Number: 1—Number of students: 200
 Teaching staff: 14—Canadian staff: 3

NORMAL SCHOOL

Number: 1—Number of students: 41
 Teaching staff: 12—Canadian staff: 3

FAMILY INSTITUTE

Number: 1—Number of students: 14
 Teaching staff: 2—Canadian staff: 1

ADULT LITERACY SCHOOL

Number: 1—Number of students: 72
 Teaching staff: 4—Canadian staff: 1

RADIO BROADCASTING SCHOOLS

Number: 6—Number of students: 6,266
 Canadian staff: 11

RECREATION CENTRES

Number: 3—Canadian staff: 5

CREDIT UNIONS AND COOPERATIVES

Number: 19
 Number of members: 1,154
 Canadian staff: 15

HONDURAS (cont)

FOOD DISTRIBUTION CENTRES

Number: 17
 Number of recipients: 93,492
 Canadian staff: 16

URBAN PARISHES

Number: 1—Canadian staff: 3

RURAL PARISHES

Number: 10—Canadian staff: 30

CATECHESIS SCHOOLS

Number: 9—Number of students: 1,400
 Canadian staff: 12

LARGE SEMINARY

Number: 1 (constructed by Canadian bishops)
 Number of students: 26
 Canadian staff: 10

SMALL SEMINARIES

Number: 2
 Canadian staff: 8

POPULAR EDUCATION CENTRE

Number: 1 (cooking, sewing, health classes)
 Number of students: 110
 Total staff: 4
 Canadian staff: 4

MARTINIQUE

Number of Canadian volunteers in 1970: 9
 priests—1 friar

Work:

Parish ministry
 Monastery
 Work in diocese

NICARAGUA

Number of Canadian volunteers in 1970: 10
 priests

Some Statistics:

RURAL PARISH

Number: 1—Canadian staff: 2

SMALL SEMINARY

Number: 1—Canadian staff: 7

PANAMA

Number of Canadian volunteers in 1970: 1
 priest

DOMINICAN REPUBLIC

Number of Canadian volunteers in 1970:
 58 priests—10 friars—34 nuns
 2 members of secular institute—2 laymen

Work: Urban and rural dispensaries

Primary and secondary schools
 Adult literacy schools
 Food distribution centres
 Urban and rural parishes
 Catechesis schools—Novitiate
 Household science school
 Large seminary
 Publication of a magazine

Some Statistics:

URBAN DISPENSARIES

Number: 5
 Number of persons treated per year:
 63,200
 Total staff: 16
 Canadian staff: 9

RURAL DISPENSARIES

Number: 4
 Number of persons treated per year:
 10,500
 Total staff: 5—Canadian staff: 3

PRIMARY SCHOOLS

Number: 11
 Number of students: 5,588
 Total staff: 56—Canadian staff: 18

SECONDARY SCHOOLS

Number: 2—Number of students: 137
 Teaching staff: 10—Canadian staff: 4

ADULT LITERACY SCHOOL

Number: 1 (sewing and culinary art)
 Number of students: 10
 Total staff: 2—Canadian staff: 1

FOOD DISTRIBUTION CENTRES

Number: 1—Number of recipients: 150
 Canadian staff: 3

URBAN PARISHES

Number: 5

RURAL PARISHES

Number: 19
 Canadian staff: 27

CATECHESIS SCHOOLS

Number: 15—Number of students: 53,926
 Teaching staff: 2,032—Canadian staff: 13

NOVITIATE

Number: 1—Canadian staff: 4

HOUSEHOLD SCIENCE SCHOOLS

Number 1—Number of students: 80
 Total staff: 83—Canadian staff: 1

PUBLICATION OF A MAGAZINE

Amigo del Hogar—approximately 26,000 subscribers

ST. KITTS

Number of Canadian volunteers in 1970: 2 nuns

Work: Teaching

ST. LUCIA

Number of Canadian volunteers in 1970: 3 priests

Work: Parish ministry

ST. VINCENT

Number of Canadian volunteers in 1970: 9 8 priests—1 friar

Work: Parish ministry

FINANCIAL CONTRIBUTION OF THE
CANADIAN CATHOLIC CHURCH TO THE
WEST INDIES AND NEIGHBOURING
COUNTRIES

(Results of a survey conducted in 1962)

Bahamas.....	\$17,450.04
Barbados.....	1,900.00
Bermuda.....	1,294.48
Costa Rica.....	144,062.50
Cuba.....	30,387.81
Dominica.....	1,600.00
Guadeloupe.....	16,666.00
Guatemala.....	30,357.86
British Guiana.....	11,713.04
Haiti.....	326,747.70
Honduras.....	489,130.12
Martinique.....	166.00
Nicaragua.....	14,953.30
Dominican Republic.....	99,410.00
St. Vincent.....	11,713.04
Trinidad.....	1,800.00
TOTAL.....	\$1,199,351.89

COADY INTERNATIONAL INSTITUTE

Antigonish, Nova Scotia

From 1960 to 1968, Canadian bishops contributed an average amount of \$16,000.00 per year for scholarships to Latin American students to attend the Coady Institute.

For the year 1967-68, Canadian bishops gave 6 scholarships in social leadership to students from the West Indies and Central America. Amount: \$16,271.00.

The Coady International Institute sent staff to promote social and community development projects in Latin America:

- (a) 1 man to Mexico for 2 years;
- (b) 1 man to the Honduras for 1 year.

ANNEX II

MIGRATION NEWS

No. 3—May-June 1969

COOPERATION BETWEEN
CANADA AND LATIN AMERICA
IN HUMAN RESOURCES

Rev. Gerard Dionne (Ottawa)

Last year, the Holy Father went to Latin America, and in some twenty speeches that he delivered spread his courageous message that in view of the dangers which threaten Latin America, urgent steps need to be taken and measures put into force to correct and improve the present situation. Some Latin American countries are making desperate efforts to attack the root of the evil.

However, this is not the responsibility of Latin America alone. Richer countries should organize their markets and their foreign exchange in relation to their economic developments in order to be able to help less fortunate countries. A means of possible assistance to developing countries, such as those of Latin America, is that of sending development workers, laymen or priests, to teach the local leaders and to organize concrete help on the spot.

It is in answer to these appeals that the Canadians have assumed their responsibilities in this matter, with regard to making available the human resources so badly needed in the developing countries of Latin America.

Perhaps not many people in Europe and other continents know that for some years the "Canadian Catholic Office for Latin America" has been established in Canada, with its headquarters in Ottawa, for the purpose of assisting those Canadians, priests or lay people, who wish to devote their services to Latin America.

In fact, for the past fifteen years we have been continually requested by Latin America to send pastors for abandoned parishes, nuns for catechetics, laymen for the hospitals and the care of the young, the poor or the lepers. Both lay and religious leaders ask for technicians and experts to teach and to train future technicians and experts of their own. And we in Canada, following the example of other countries, try our very best to comply with these appeals.

As the result of our action, there are at the moment many Canadians working in Latin America and in this article, I would like to give some information about their location and activities.

In 1968, I made a trip to Latin America and had the opportunity of questioning some Latin American Bishops on their needs and difficulties. All of them were grateful for the assistance received, but stressed that Latin America is not a homogeneous entity, each country is different and even one region of a country is not necessarily similar to its adjacent regions. There is a similarity in the poverty and underdevelopment, but even these have different backgrounds with regard to culture and aspirations.

What is needed, therefore, are bright, broad-minded, strong-willed and virtuous young people, men and women, who are capable of adapting themselves to different circumstances and environment. These would be of untold assistance to Latin American countries.

However, enthusiasm and determination are not sufficient. Among the qualities which are essential to candidates departing to Latin America are both psychological and individual equilibrium, a strong faith in their ability to face not only the constant changes and misleading contrasts, but also the existing resentment of the people towards foreigners. Those coming to cooperate must acquire the ability to become assimilated with the local people and not start off with the intention of transplanting their own mentality and cultural views. In Latin America, there are human riches to be respected and if the continent needs development, it does not want this development imposed on it by foreign countries.

Over 2,000 Canadians Cooperating

Taking the above principles into consideration, by January 1st, 1969, 2,078 Canadians had departed for Latin America, both South and Central America, including the Caribbean Islands. This total refers to 32 countries, and comprises the four following categories of people: priests, brothers and nuns, laymen and lay teachers. They are dispersed as follows in South and Central America (including Mexico):

	Priests	Brothers and Nuns	Laymen	Lay Teachers	Total
South America	422	657	109	38	1,226
Central America	240	542	70	—	852
	662	1,199	179	38	2,078

Below, I would like to discuss both parts of the vast Latin American continent in more detail.

South America

Taking the South American countries separately, it can be seen that the largest number of Canadians work in Peru (409) and Brazil (320). Then comes Chile and Bolivia.

Canadian priests and laymen in Peru are to be found in Lima, in the dioceses of Chiclayo, Ayaviri, Iquitos and others. They are from the Canadian provinces of Quebec, Alberta, Manitoba, Ontario and Newfoundland. They are made up of 42 laymen and 258 non-ordained brothers and nuns.

In Brazil, most of the Canadians are in Sao Paulo, but some are also to be found in Amazonas, Goias, Maranhao, Bahia and Pernambuco (Recife).

Here are the details of the eleven countries involved in these movements:

Country	Brothers and Nuns		Teachers	Laymen	Total
	Priests				
Argentina	17	23	—	—	40
Bolivia	46	55	3	27	131
Brazil	108	178	8	26	320
Chile	74	99	23	13	209
Colombia	11	19	1	—	31
Ecuador	3	—	—	2	5
Guyanas (Br. & Fr.)	12	4	—	2	18
Paraguay	9	18	—	—	27
Peru	109	258	3	39	409
Uruguay	8	—	—	—	8
Venezuela	25	3	—	—	28
	422	657	38	109	1,226

Central America

The location of Canadian laymen and priests in Central America gives a no less varied picture.

Amongst the islands, Haiti takes first place with 406 volunteers, only 43 of whom are priests. Then comes the Dominican Republic (89) and Cuba (41).

As to the Central American mainland, Honduras benefits from the cooperation of 131 Canadian laymen and priests and Guatemala from 51.

The West Indies, which is made up of nine islands: Anguilla, Carriacou, Dominica, Grenada, Guadeloupe, Martinique, St. Kitts, St. Lucia and St. Vincent present a mosaic of schools and churches helped by the Canadians.

Below are the details concerning Central America.

Country	Priests	Brothers and Nuns	Teachers	Laymen	Total
Bahamas	10	12	—	4	26
Bermudas	8	8	—	—	16
Costa Rica	—	1	—	—	1
Cuba	22	18	—	1	41
Dominican Republic	48	39	—	2	89
El Salvador	—	—	—	2	2
Guatemala	10	37	—	4	51
Haiti	43	332	—	31	406
Honduras	54	69	—	8	131
Mexico	11	3	—	—	14
Nicaragua	9	—	—	—	9
Puerto Rico	2	—	—	—	2
West Indies (Br. & Fr.) (9 islands)	23	23	—	18	64
	240	542	0	70	852

Annual Increase of Personnel

As can be seen from the table below, from 1961 onwards there have been steady and regular increases in the number of Canadians departing for Latin America:

Year	Total Personnel	Increase
December 31st, 1961.....	1,157	
December 31st, 1962.....	1,310	153
December 31st, 1963.....	1,442	132
December 31st, 1964.....	1,548	106
December 31st, 1965.....	1,777	229
December 31st, 1966.....	1,874	97
December 31st, 1967.....	1,998	124
December 31st, 1968.....	2,078	80

On an average, each year 130 Canadians leave the country to go to Latin America to assist the developing countries. It may also be stressed that amongst the priests are seven Canadian Bishops, two of whom are in Peru and 1 in Brazil.

Functions of the Latin American Office

Apart from helping the Latin American Church in its own evangelization this assistance program, guided by the social doctrine of the Church and faced with problems resulting from social revolution, is strongly directed towards solving religious and humanitarian problems in Latin America. The expansion of this program is tightly linked to the principle of autopromotion and comprises all that could contribute to the development of these countries. The mission of the Office is "to awaken the Canadian Catholics to the immediate and grave situation of the Church of Latin America".

The Office is directed by a committee of five bishops, Chairman of which is Bishop A. Sanschagrin, former Oblate Missioner in

Chile, presently Bishop of Saint Hyacinthe. The Office is bilingual, has one director for two separate departments—French and English, with one secretary for each. The languages in use are English, French, Spanish and Portuguese. In general our staff speak at least three languages. So far we have only a reading knowledge of Portuguese.

A monthly Bulletin is published, it comprises a letter to its readers dealing with problems pertinent to the Church in Latin America and our Canadian effort on its behalf, news in connection with religious, social or political situations in Latin America, as well as general information for the interest of those willing to help or better know the Sister Church of the South.

Once a year the Bulletin gives statistics on the number of Canadians stationed in all parts of Latin America, giving the home address of the dioceses or congregations of Canadian Origin and the number of departures within that year. Comparative columns in these statistical sheets, make the progress and increase in number of missionaries easy to follow. This Bulletin is free of charge and is distributed to some 1700 Canadian and Foreign institutions. We also direct lay volunteers, to lay sending organizations such as CUSO and others, willing to work outside of Canada.

Some of our outstanding achievements are: the building of a Major Seminary in Honduras—this project was made at the request of Rome and sponsored by our Canadian Bishops, it is to this day administrated by Canadian priests—the establishment of a number of institutions, colleges, seminaries, schools, hospitals, dispensaries, convents, social services, parishes, etc., the foundation and success of which is due to the request of the Latin American Bishops and the Canadian initiative.

Prospects and Needs

In spite of these undeniable efforts and positive results, the question often asked by foreign workers is this: Are we welcome in Latin America? Merely by being there and preaching faith for the future and respect for the already established order, are we not impeding the way of progress? Are we not retarding valuable solutions? It is true that the present lack of development workers and of vocations should give rise to new forms, but perhaps if the volunteers were not there, suffering and misery would cry out, ignorance

would become supreme and injustice would revolt. Of course, withdrawal is nowhere near solving the problem; it will not throw any light to those responsible for finding suitable solutions, nor will it help them.

It must be stressed however that our laymen and priests are there to cooperate. Latin America needs more help than she is receiving at the present. Once more we must read the appeals made by the last three Popes to get a response to the "warning" for the future of the peoples of Latin America, whose number constitutes one third of the baptized Catholics and who are crying out for assistance.

Family life in Latin America must be strengthened because it is on these families that the success of Latin America's renewal will be based. By giving woman her rightful place in the home as a wife and mother, by awakening a sense of responsibility in the man as a husband and father, by strengthening the ties of christian marriage and by ensuring that workers have a human and decent standard of living through urgent social reforms, Latin America may become an example and model to other continents.

The Chairman of the Canadian Episcopal Commission for Latin America, the Most Reverend Bishop Sanschagrin, analysing the basic document of the Conference of Latin American Bishops held recently at Medellin, Colombia, stated that the South American opinion is divided today between two opposing factions: those who wish to preserve the old established order with the least possible change; and those who wish to destroy the old order by violent means and thereby establish a new one, more just and more humane. Between these two extremes, the Church in Latin America will find a happy medium.

"Faced with under-development, the Church must be committed to the complete welfare of man and the peoples of Latin America. It should stand firmly" states the document "and in a special way with real human love beside the poor and the out-cast. For this, the Church must denounce injustices, teach the necessity of reforming the structures and cooperate in the realization of urgent rapid global changes. She should defend with strength the dignity of man and his right to liberty, indispensable factors in his complete development". (CELAM Conference)

[English]

A PAPER

submitted by

The Anglican Church of Canada

SOME POLICY THOUGHTS ABOUT THE OVERSEAS PROGRAM OF THE ANGLICAN CHURCH OF CANADA

The Division of National and World Program of the Anglican Church of Canada includes that area of the Church's endeavour formerly known as Missionary work overseas. As human experience, situations and understanding change, the goals of the Church abroad seem to be expressed in changing emphases. For the work we used to describe as "evangelism, conversion, witness and presence", we now use the concepts of "development and service". As always, the mission of the Church is still based on a sense of the importance of others, of brotherhood and of the need for God's reconciling love for all men in all the world. The under-lying concept now, however, seems to be that, rather than taking the Christian Church abroad, our mission is to enable the development of that which is already there as an instrument of service to those within and without its doors. With the above goal in view, we must set out objectives, choose our means, select priorities and plan our program.

Four elements seem very important in this process:

First: It is urgent that programs, undertaken overseas, include or contribute to the growth of local leadership with the use of local resources, both human and material, so that the end products are indigenous to the local church and not merely excrescences transplanted from a foreign culture. The personnel whom we support overseas should therefore be employed chiefly in training and planning with nationals so that, as quickly as may be possible, the Canadian can transfer his responsibilities to the national. So, too, the money that we send should be used for purposes of building up the local church by training programs, or by creating experiments and resources, for this same end.

Second: There is the necessity of continuous dialogue between us and the Church to whom we send personnel or money. To work with any hope of success, we must listen to the people overseas. We must learn to plan with them, not for them. To do this, we must have conversations with people on the spot;

with them we must examine and evaluate our programs. We must do all that we can to avoid succumbing to the greatest temptation—that of taking overseas and imposing there our preconceived ideas of development.

Third: Following naturally from the first two, is the principle of intelligent planning with some attention to the scope of the Project. We do not exclude a small project if it is of an experimental nature and if it may have wider ramifications in the future. But we try to concentrate our efforts where they can be most useful. We prefer a provincial project to a diocesan, a diocesan to a parochial one.

Fourth: Also following from the preceding, is the principle of ecumenism. Whenever possible, we must consult with and act with other Christian bodies, governments, and with other secular agencies. We seek both to avoid overlap, and also to ensure the fullest use of our combined resources.

Our involvement in the Caribbean dates from 1965 and until 1969 included most of the countries and territories of the Church of the Province of the West Indies: Jamaica, Antigua, St. Maarten, Barbados, St. Vincent, St. Lucia, Trinidad and the Territory of British Honduras in Central America, Guyana in South America. In 1969 we became involved directly with the Episcopal Church of Cuba. In 1965 the amount we budgetted for work in the Caribbean was \$7,500; today it is close to \$100,000.

Our program falls into six categories:

1. Planning:

The Anglican Church of Canada offers funds and consultants to assist the Church in the Province of the West Indies, e.g.

(a) in its work to up-grade ordination and post-ordination training of clergy and the training of lay readers, e.g. providing consultant and funds for Provincial and Caribbean—interdenominational consultation on the future of the ministry, Kingston, Jamaica—November 1969;

(b) to develop parallel and more equitable clergy pension plans within the various dioceses and thus relieve hardship and facilitate a regional policy for deployment, e.g. Provincial Pension consultation—Trinidad, November 1969;

(c) in Provincial Program Planning—to facilitate the integration of province wide programs—e.g. funds contributed to meetings of Provincial Synod and its committees.

2. Training of Personnel:

This takes place at three levels:

(a) Undergraduate training of West Indian ordinands. Funds are provided for students studying for the ministry in the West Indies, e.g. United Theological College, Kingston, Jamaica and Codrington College, Barbados.

(b) Post-graduate training of West Indian clergy and laity. Bursary assistance is provided to men and women who have been recommended for graduate work either in the West Indies, Canada or the United Kingdom—e.g. students studying at the Social Welfare Centre, University of the West Indies, Kingston and Canadian universities.

(c) On the job training offered by Canadian personnel on a short-term basis who work with West Indians in their situation, providing skills and follow-up resources largely in the areas of parish and team ministries, community development, youth work, agricultural development and co-operatives—e.g. British Honduras New Capital Team, local leaders of the Antigua Co-operative Development Council, diocesan youth leaders in Guyana and Jamaica, and the proposed plan for training clergy of the Episcopal Church of Cuba.

3. Diocesan Consultations:

The Anglican Church of Canada offers each of eight dioceses in the Church of the Province of the West Indies and the Episcopal Church of Cuba the services of its area secretary and other national staff to assist in the planning and development of their diocesan programs, including some projects which might later qualify for Canadian support—e.g. Diocesan Youth Program in the Windward Islands, Leadership Trainer for the Council of Churches in British Honduras, Diocesan Youth Work in Jamaica and clergy training in Cuba.

4. Canadian Personnel:

At the request of the Church of the Province of the West Indies, the Anglican Church of Canada recruits, selects, trains and sends personnel to serve for a three year period. Such staff are supported on a shared basis. Canadians receive, in the field, the same salary and allowances as their West Indian counterparts. The difference between the field amount and the Canadian salary is held in Canada until completion of their term. In all

cases personnel are involved in either a developmental or training ministry and are asked, within three years, to find a national to succeed them. Such nationals are offered bursary assistance for further training by the Anglican Church of Canada—e.g. Guyana, Jamaica and St. Vincent directors of youth leadership, St. Lucia and Antigua community development programs, Antigua director of Christian Education.

5. Project Grants:

Where projects have been initiated locally and have a developmental training dimension to them, financial support is given—e.g. broadcast training—Guyana.

6. Summer Student Canadian and Overseas Work Tours:

The Anglican Church of Canada sponsors Work Tours to various Caribbean Territories. Groups of six to ten Canadians join in community programs—e.g. recreational and educational summer school activities, children's and youth camps, and social welfare programs.

About thirty-five Canadians go to the Caribbean each summer to such places as British Honduras, Jamaica, Antigua, Nevis, St. Vincent and Guyana.

This program has a second phase. A corresponding number of West Indians come to Canada each summer to participate with their Canadian counterparts in similar programs.

There is so much to be done; the needs are great and in such an explosive world, time seems to be of the essence.

The Reverend David J. Woeller,
Area Secretary,
The Caribbean and Latin America,
The Anglican Church of Canada.

February 10, 1970.

SUBMISSION OF THE BOARD OF WORLD MISSION OF THE UNITED CHURCH OF CANADA

By: Dr. Garth Legge
Associate Secretary of
the Board

THE CARIBBEAN AREA: A UNITED CHURCH OVERVIEW

1. Countries: (Personnel and/or Financial Involvement).

Trinidad, 14; Grenada, 2; Jamaica, 7; Grand Cayman, 2; Costa Rica, 3; Panama; British Honduras; Haiti.

2. Personnel:

Total U.C.C. missionary staff currently in area: 28 (above).

Categories: secondary school teachers, student counsellors, social worker, parish ministers, farm manager, theological professors, librarian.

Additional Current recruitment: Medical doctor for Haiti, trade school instructors, business manager, minister, secondary school teachers.

3. Finance: Average annual budget outlay, salaries and projects, \$250,000.00 Canadian.

4. Some Caribbean Churches and Major Agencies to which U.C.C. relates:

U.C.J.G.C., United Church of Jamaica and Grand Cayman.

P.C.T.G., Presbyterian Church in Trinidad and Grenada.

M.C.C.A. Methodist Church in the Caribbean and the Americas.

C.A.R.C., Caribbean Assembly of Reformed Churches.

U.T.C.W.I., United Theological College of the West Indies. (Mona, Jamaica)

5. Some Underlying Principles:

(a) A vehicle of Christian mission: convey love of Christ By Concern for whole man in his society: humanisation.

(b) Pre-eminence of the local Caribbean churches and their authentic selfhood; Caribbean initiatives; limitation of Canadian presence.

(c) Stress on nation-building, and church's role in it.

(d) Provision of strategic personnel when requested.

(e) Provision of seed money for new ministries, and reduction of institutional grants.

(f) Concern for mutuality between Canada and Caribbean, (graduate scholarship program, Caribbean ministers and laity in Canada).

(g) Ecumenical auspices paramount, Church union, SCM in Trinidad.

6. Development Role:

(a) Current Projects:

Knox College, Jamaica
Operation Friendship, Jamaica.

Instituto Cooperativo Inter-Americano,
Panama.
Wesley College, British Honduras
Christ College, Trinidad
San Pedro de Macoris—Dominican
Republic.

PAPER FROM THE PRESBYTERIAN
CHURCH IN CANADA
TO

Standing Senate Committee
on Foreign Affairs
respecting

THE CARIBBEAN AREA

BY: Miss Mary E. Whale, Exec. Secy. for
Overseas Missions, Presbyterian Church in
Canada.

We would express the appreciation of the
Presbyterian Church in Canada for the
opportunity to share in the considerations of
the Caribbean being discussed by this Senate
Committee.

The Presbyterian Church of Canada like
other Churches has for many years shared in
the development of Caribbean Islands. While
historically our Church was first in Trinidad,
the greater resources of time and money have
been spent in Guyana. With the development
of a United Theological Seminary in Jamaica,
and a federation of the reformed churches of
the Caribbean in the Assembly of Reformed
Churches of the Caribbean, our interests have
broadened geographically.

Since this representation is intended to
ascertain how various agencies have attended
to meet man's needs in the Caribbean, we
will not dwell on the basic premiss of the
Christian mission movement.

Our interest in Guyana where historically
we have expended more effort, is in the devel-
opment of all areas of Guyanese life. We
desire to see the Guyanese masters of their
own household, taking initiative to develop
their life culturally, economically, and
socially.

Historically, our first contact in Guyana
was through clergymen who were invited by
estate owners to come and teach the children
of the estates. This contact placed our work-
ers among East Indian people and we have
worked with this group ever since. Schools
were built, some with the help of estate
owners, but more with money provided either
through the Mission Board or by friends of
the missionaries. Because the teachers were
ministers, the school room became also the
Church and the Christian community gradu-
ally grew. Churches were built in many
places but the close contact between the
school and the church continued. The mission-

(b) Surveys, consultation with Caribbean
Churches to study urgent problems:

- brain-drain of leaders to North Ameri-
ca—rejection of the land (past history
of slavery and indenture),
- socio-economic implications of me-
chanisation, e.g. of care industry,
- cleavages along racial, colour, social
lines,
- divisiveness and insularity of Carib-
bean geography, and means of fostering
a West Indian cohesion.

(c) Churches; development education in
Canada stressing new understanding and
mind-set toward Third World; mentality of
unity of world human family; implicates of
social justice within Third World societies
and in international trade structures; avoid-
ance of a charity approach which inculcates
dependence; burden of servicing develop-
ment loans.

Canadian Council of Churches pro-
gramme on development, in collaboration
with Canadian Catholic Conference; Coa-
lition for Development.

(d) U.C.C. relation to CIDA.

Area secretary: personal connections with
CIDA and CUSO appointees on fre-
quent Caribbean tours.

Grants from CIDA for U.C.C. participa-
tion development projects: Knox,
Jamaica.

Dialogue with CIDA, and education of
our constituency on CIDA development
role.

Special concerns re Canadian Caribbean
development role:

Not to use the Caribbean as a source of
raw materials, but to encourage labour-
intensive secondary processing indus-
tries.

Collaboration in Family planning pro-
grammes.

Caution regarding Canadian military
associations in Caribbean.

Less "tied aid"; more no-interest or low-
interest loans.

Development goals of Caribbean coun-
tries, rather than Canadian market and
investment initiatives.

Special emphasis on Caribbean area
welcomed.

aries established secondary schools and a Bible School; the latter to train pastors and women workers to give Christian leadership.

Elementary schools developed under the Canadian Presbyterian Mission and were labelled Canadian Presbyterian Schools. The teachers were hired by the Mission Council, a group of missionaries who were responsible to the Canadian Board of Missions. This meant that the administration of education was entirely in the hands of a Canadian administrator who not only had the power of hiring and firing but also the establishment of curricula. The teacher training in the country was quite elementary: high school graduates trained as interns. As they gradually became acquainted with the curricula they undertook their own classroom responsibility. The schools were as a rule one or two large rooms. The number of students in the classroom could number as high as eighty to a hundred.

This pattern prevalent in British held colonies, had many obvious weaknesses. However, despite these the record shows that the system produced the leaders in Guyana today. It will be understood that the education system described was a system shared by the Presbyterian Church with other religious denominations.

As the Guyanese government became more indigenous the education system became one of the prime concerns of the Guyanese leaders. The government began paying for all of the education through grants to the administering bodies. There began a concentration on establishing a system of education by which the government would be responsible for teacher training and the curricula of the schools. In this development the Canadian Church shared responsibility. We welcomed the higher standard of teacher training. We shared in that training by bringing two high school principals to Canada. They studied at the Ontario College of Education, Toronto, specializing in school administration, curricula and student guidance. Gradually the question of school administration became one which seems better performed by the government administering schools, both elementary and secondary. The government began to establish its own schools and a teachers training school was established which gave the teachers a more solid grounding in the science of pedagogy. The Mission for several years maintained an administrator who was responsible not to the Mission Council but to the Department of Education of the govern-

ment. This meant that the Canadian missionary or missionaries were working with the government of Guyana for the advancement of education.

The concentration on education by the Canadian Presbyterian Mission, left the training of ministers and women leaders in the Church far behind in the standard of training. The Church through lack of well educated leaders did not have the spiritual influence it should have. The Canadian Mission realized that those who were called to be clergymen and deaconesses should be qualified for and be able to obtain a high standard of education. So, the Bible school was closed and the candidates for the ministry sent to the Union Theological Seminary in Kingston, Jamaica. This broadened the Canadian Presbyterian interest in the wider area of the Caribbean and led ultimately to a share financially in the Seminary, particularly through the provision of a staff person, for that Institution.

Education continued to be a prime concern of the Presbyterian Mission but the concern was to assist Guynese themselves to be responsible for their own educational work. Consequently a decision was made to turn over the school system completely to the government. This was made to the mutual advantage of both the Mission and the Guyanese government. So, while the direct involvement of the Canadian Church in Guyanese education was withdrawn, it must be said that the interest is very much there and the continuance of scholarship programmes for people in all areas of Guyanese life, is encouraged by our Church.

At the moment, we have been concentrating on the training of Church leaders. There are two, a man and a woman in Canada at the moment. This programme has been carried on consistently over approximately the last fifteen years.

In 1957 a consultative federation of the reformed churches of the Caribbean was formed. It ultimately became the Caribbean Assembly of Reformed Churches. The Assembly was held in 1965. The administration offices are in Trinidad. The Canadian Church has participated in the establishment of this Assembly and in financing the office. At the moment the Presbyterian Church has one staff person associated with the Caribbean Assembly working in the area of stewardship throughout the Caribbean area. His concentration of effort has been to this point in Trinidad.

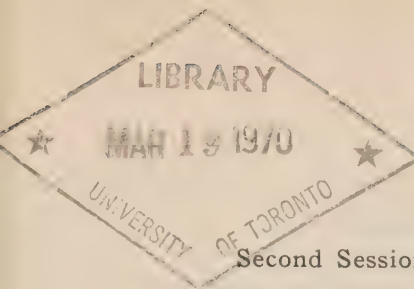
As we share with the Presbyterian Church in Guyana now, we share with a Church that has become established in its own right. January 1st, 1968 saw the withdrawal of the Canadian Presbyterian Mission Council and the assumption by the Presbytery of the Guyana Presbyterian Church of responsibility for the total area of Church government. Our relationship now is between Churches and the position of the Board of Missions is as a liaison, counsellor, between the Church in Guyana and the Church in Canada. The Guyana Presbyterian Church in these two years has been seeking to establish its government and to strengthen various parts of its work. The concentration has continued on education. Now it is the education of Christians to assume responsibility for the life of the Church within the community. One of the institutions which have been established to aid in this programme has been a lay training center just outside of Georgetown. This center is becoming a place where men and women may have courses of study in lay leadership within the Church and as Christians within the community.

Like other Christian groups, the Canadian Presbyterian Church has become increasingly conscious that its responsibility, its role, cannot be confined to the institutional life of the Church. It believes that it must reach out into the community to help men, women and children to understand their lives in the world in which they are. Therefore, as communities develop in Guyana and throughout the Caribbean, our very great interest is in seeing not only the Church established but that the whole community be aided to develop as community which can use the resources of men and material within it for the betterment of the life of each individual. An example of such a community is Black Bush Polder, in East Demerara County. This area was developed by government as an area to which people might go from the old sugar and rice estates to establish a few acres of land which they would first rent from government but would eventually have at least a share ownership in land. This project has undergone many problems but within such projects there is the very real hope for the

development of people who are independent economically and who have a strong social sense. We would like to see the community resources developed through Christian leadership being possible throughout the whole community in recreation and study. It is our policy to welcome initiation on the part of the Guyanese for such development and to share financially as they develop their plan and make contribution to it.

In the above respect, we recognize that one of the most difficult problems in Guyana today and to some extent in the Caribbean is the racial relationship between the African and East Indian peoples, particularly. The Church has expressed its concern in this matter. Some development has taken place between the two main racial groups within the two sections of the Reformed Church in Guyana. Historically, as we have said the Canadian Mission has been to the East Indian peoples. At the same time the Church of Scotland was establishing a similar mission among the African peoples. While there is some inter-communication, the two Presbyteries have not yet come together in one governing unit. Progress has been made organizationally between the young people of the two races within the two Presbyterian Churches and the women have established a plan of an inter-racial organization which has been expressed. Our emphasis we repeat is:

It would appear to us in reading the previous record of the Senate's Committee that the Church in the Caribbean has very similar interests to the several interests that have been expressed. Our emphasis we repeat is: The development of the resources of individuals within the community. This would mean that the people of the Caribbean should have opportunity to develop and share wealth of their countries. Our approach therefore, to the Caribbean and to Guyana particularly, is that we believe that the spiritual well being of the people can be developed through the use of all the resources of the land within which they are placed. These resources are material resources but more important the resources of mind and spirit within the people themselves.



Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 6

THURSDAY, FEBRUARY 19, 1970

Respecting
THE CARIBBEAN AREA

WITNESSES:

From the Firm of Resources Management Consultants: Mr. W. M. Kudryk,
Managing Partner; and Mr. L. G. Wynnycky, Partner—both from
Toronto, Ontario.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

MINUTES OF PROCEEDINGS

THURSDAY, February 19th, 1970
(7)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (Chairman), Cameron, Carter, Grosart, Laird, Macnaughton, McLean, Pearson, Robichaud and Yuzyk—(10).

Present but not of the Committee: The Honourable Senator Thompson—(1).

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee continued its study of the Caribbean Area.

The Chairman (Senator Aird) introduced the following witnesses:

Representing the Firm of Resources Management Consultants:

Mr. W. M. Kudryk, Managing Partner; and

Mr. L. G. Wynnyckyj, Partner.

The witnesses were thanked for their assistance.

At 12.35 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee

THE SENATE

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Thursday, February 19, 1970

The Standing Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (*Senator John B. Aird*) in the Chair.

The Chairman: Honourable senators, it is now past the hour of 11 o'clock and I see that a quorum is present. I therefore declare the meeting regularly constituted for the transaction of business.

In many of our previous meetings, our concern for accelerated economic progress in the Caribbean has led us to emphasize the need for marketing expertise for Caribbean exports, and the more general need for increased managerial expertise.

Our witnesses today are eminently well-qualified to speak on these subjects. I believe that you all have been introduced to them. On my right is Mr. Kudryk and on his right is Mr. Wynnyckyj. I am particularly interested to find out that they are both well-known to Senator Yuzyk, and in the light of his, in my opinion, first-rate speeches of the past few days, particularly relating to the third power or third people that we have in Canada, I think it is perhaps very appropriate that we have two people of Ukrainian descent here today. All of you have received the biographical material on Mr. Kudryk and Mr. Wynnyckyj, and are therefore aware that both gentlemen are business consultants of very broad experience. Our committee is, of course, particularly interested in their impressions gained during their assignments in St. Lucia.

I should like to say a few words about this work. These gentlemen were not only involved with studying the opportunities for improving the St. Lucia banana industry; they actually implemented the recommendations growing out of the management study. And I think this is a very important point: the implementation thereof. This practical and evidently very successful experience in

Caribbean management gives a special relevance to the views of our witnesses. I gather from their brief that through this agricultural work in St. Lucia they have been able to assess the prospects in the secondary sector—and I should define that, Mr. Kudryk, as everything that is not in the primary sector—and we will be very interested in obtaining their views on this.

Their firm, Resources Management Consultants, has also studied the feasibility of marketing St. Lucia bananas in Canada. The question of Canada-Caribbean trade, especially in traditional products, has frequently come up in our past hearings and transportation has appeared to be the crucial problem. We have not yet heard an assessment of the potential impact of jumbo jets, but Messrs. Wynnyckyj and Kudryk have analysed the prospects in some detail and I know that this will be of interest to many senators.

In short, honourable senators, we are intrigued by your brief, which is really quite different from those we have received heretofore, and we are very happy to welcome you to our meeting this morning. It is my understanding that Mr. Kudryk will lead but that both gentlemen are ready and available to answer any questions. Following our usual form, I have asked Senator Laird if he would lead with a few introductory questions and then, of course, the meeting will be open to all senators.

Mr. Walter M. Kudryk, Partner, Resources Management Consultants: Mr. Chairman, honourable senators, my partner and I feel greatly honoured to have the opportunity to appear before the Standing Senate Committee on Foreign Affairs to speak about one, perhaps small but we feel significant, aspect of Canada's relations with the countries in the Caribbean. We should like to call it the transfer of knowledge and skill through management advice and counsel as an effective way to give Canadian aid to the Commonwealth Caribbean. We appreciate that you have had the benefit of hearing a number of distin-

guished gentlemen, specialized in their own fields, gentlemen from the Government of Canada as well as academics and other experts living and/or working in the Caribbean. They dealt extensively with political, economic, environmental, human and other aspects of Canada's relations with the countries in the area.

Private Canadian firms who conduct sizeable business enterprises in the area have also added to the general picture. What appears is that the Canadian involvement in the Caribbean has increased over the years, and that the future may see even closer and more meaningful ties between Canada and the countries in the Caribbean. It is as well to point out at this time that we are not here as economic experts on the Commonwealth Caribbean, but as management consultants who were actively involved in a number of assignments in the area for a number of years.

Our suggestion for the establishment of a management advisory and counselling service in the area, as outlined in our brief, is based upon our personal experience, the results of our involvement in the area. The intention of our presentation is not to sell a specific approach, rather to highlight an apparent need and throw some light, at least from our point of view, on the subject.

Our own involvement in the Commonwealth Caribbean has convinced us that there is a pressing need for management consulting services both in the government as well as the industrial/commercial sector. Contrary to popular opinion, the problem does not lie with lack of appreciation on the part of the islands of the situation or of the need for outside expertise; rather with lack of foreign exchange to pay for the services.

In one situation in which we were involved with a wage and salary administration study and its implementation, including related organizational and system's improvement, the island's government in question had to do some "rob Peter to pay Paul" with capital projects to pay for the professional investigation. Here was not a question of whether there was a need for such a study, but really how to pay for it.

Our lengthy involvement in St. Lucia in effect provided the island's business sector for the first time with a local management consulting firm. We were surprised by the number of callers, some of whom became our clients. Farmers came wanting to diversify

and thus lessen the dependence on one-crop economy; guest-house and other small tourist operators came with problems relating to the administration and running of their small businesses; merchants talked about inventory control and related merchandising problems; and government officials came to discuss feasibility studies and the management of human and other resources.

The main reasons for using management consultants are more or less the same in both the developing as well as the developed countries:

(a) Consultants provide a ready source of skills, knowledge of expertise which are not usually available in the developing countries.

(b) Consultants may accelerate the application of technical, economic, and managerial skills to the solution of practical problems.

(c) There is always the possibility that consultants may find a fresh approach to established practices.

Lastly, but certainly not least, a management consultant can usually give unbiased opinions and provide objective evaluations of particular problems, since he is not hampered by the internal politics and loyalties within the organization.

The main reasons for using management consultants may be more or less the same for the developing as well as the developed countries, but the need for them as a means to catch up with the "have" nations, and thus for national survival to many of the islands governments—and the island people, I may add—is far greater than in the case of developing countries.

We suggest that there is no better way to assist the Commonwealth Caribbean countries than by making available to them the storehouse of knowledge and expertise that we, the developed countries, have accumulated, really since the Industrial Revolution. Canadian management consulting could be an effective vehicle to give advice and counsel to both government and industry in the Commonwealth Caribbean.

We would like to propose to you a suggested approach, but before we go into the details of the approach let me say that the industrially developed nations have come to realize the value of experts and their contribution, not only to the solution of problems but more to the development of opportunities—a very important thing. Using our own country as an example, we see the existence of the follow-

ing services: the federal Government makes extensive use of management consultants, but in effect maintains its own consulting organization; provincial governments equally follow the same practice; a number of the provinces also support research councils, for example the Ontario Research Council, whose areas of activity include not only research and development but to a certain extent consulting as well.

Needless to say, the majority of the countries in the Commonwealth Caribbean do not have recourse to such bodies of experts, nor, we believe, can they afford to have them on their staff. Yet, if they are to use their limited human, financial and natural resources most effectively, they cannot afford not to have them. It may be difficult to justify the establishment of a management advisory and counselling service in each of the islands, but collectively there should be sufficient justification. In fact, it may be said there must be sufficient justification if we believe in this approach.

One possibility to provide resources and management consulting services may be to establish such a service in the Commonwealth Caribbean, possibly attached to CARIFTA or the Caribbean Regional Development Bank, initially fully financed by Canada and partially staffed by Canadian senior management consulting personnel. Canadian talent would be used only to the extent of inability to recruit nationals with the right academic and professional experience. Over a period of time, not only would such an organization train its personnel and provide a force of business talent to the governments and industries of the area, but fund its own operations.

Now let us venture to explain what we are proposing with regard to such a body. The resources and management consulting unit by necessity would need to be located centrally. In order, however, to be attuned to local conditions and needs, a field office staffed by one consultant-generalist and a secretary could be maintained in each of the larger islands and countries, and one or two for each of the Windwards and Leewards. We believe that the total cost of such an organization for salaries, travelling, cost of living and office expenses would be in the neighbourhood of \$1 million—ere again we are taking ball-park figures—for the first year of operation. This amount would, in all probability, need to be financed by CIDA, with possibly some local governments participation. In subsequent years Canadian assistance would be expected

to decrease by about some \$100,000 per year in line with the revenue generated by the organization from paying projects. As such, the resources and management consulting unit could be self-sufficient within, say, a period of about ten years.

Senator Grosart: Mr. Chairman, the witness is just reading the brief in part.

The Chairman: Yes.

Senator Grosart: I thought we had a rule that this would not be done. We have all read it, and it is not highly complimentary to the committee to read over what we have had a couple of weeks.

The Chairman: I believe Mr. Kudryk is nearly finished with his presentation. I believe you are nearly finished, Mr. Kudryk?

Mr. Kudryk: Yes.

The Chairman: Perhaps the committee would agree that he continue and finish in a matter of a minute or two, then we will turn to the questioning. I believe you are nearly finished.

Mr. Kudryk: Yes, in a matter of minutes.

The Chairman: Then we will return to the question.

Mr. Kudryk: I must apologize, Mr. Chairman. I was not aware of this ruling. We certainly would have conducted ourselves otherwise.

The Chairman: Thank you.

Mr. Kudryk: Our apology, senators.

Senator Macnaughton: We can take them apart later.

Mr. Kudryk: This Canadian assistance as it pertains to management advice and counsel would serve not only to:

...hasten the point in time when their economic growth will be self-generating and will become independent of external assistance.

here I am quoting from Professor George V. Doxey before the Standing Senate Committee on Foreign Affairs, March 18, 1969—but it also provides the management material to aid these countries to narrow the gap and possibly catch up with the more developed countries. Thank you.

The Chairman: As is our custom, we will now turn to the questioning. I am sure that,

as Senator Grosart points out, the senators have had this brief for a sufficient length of time to gain a real appreciation of it, together with the other material which Mr. Kudryk submitted, and for which we are grateful. I would ask Senator Laird if he would lead.

Senator Laird: Thank you very much, Mr. Kudryk and Mr. Wynnyckyj. Of course, the reason we are anxious not to have you read the brief is to enable us to get at you quicker. We have had some rather distinguished witnesses here, including the Right Honourable Lester B. Pearson and the Honourable Mitchell Sharp, so you are in good company.

Having in mind that your material is submitted, is it fair to ask have you had any experience beyond St. Lucia and neighbouring islands in regard to management consultant problems?

Mr. Kudryk: If I may interpret "beyond", we have worked in Barbados and in Trinidad. This is the extent of our experience. The only other involvement was in connection with the banana industry where I had an opportunity to study banana operations in British Honduras, Costa Rica and Honduras both Standard Fruit as well as other operations.

Senator Laird: I noticed in your material that the countries you have mentioned last are the principal suppliers of bananas to Canada. Is that correct?

Mr. Kudryk: Yes, sir, most definitely.

Senator Laird: Do you have reasonable hopes, arising out of your study, that St. Lucia might get into that league?

Mr. Kudryk: I think it is quite possible in light of some of the radical changes that are taking place, as far as modes of transportation are concerned. It would be most difficult to market Windward Island bananas in Canada by the traditional means of bringing them over by boat.

Senator Laird: You seem to contemplate, as nearly as I can figure out from your brief, that perhaps St. Lucia would be a sort of shipping point, gathering in bananas and other materials from neighbouring islands.

Mr. Kudryk: Yes, that is true.

Senator Laird: Do you then think that the principal problem is not the quality of product, but transportation?

Mr. Kudryk: No, I feel it is both, but it goes without saying that to be successful the

Windward Island bananas would have to be superior and, based on our involvement, they can be superior in quality than what we right now consider as a top grade banana in Canada. Incidentally, I would like to point out that we Canadians do not have top quality bananas in this country.

Senator Laird: We do not?

Mr. Kudryk: We do not. The banana which is considered top quality, say, in the UK is far superior to what we generally enjoy in Canada.

Senator Laird: Where does the UK get its bananas?

Mr. Kudryk: From the Windward Islands, but the grading is done in the UK and the grading standards are much higher than ours in Canada.

Senator Laird: Coming to another point, I noticed in your brief there was a suggestion that some people are easier to deal with, in the matter of absorbing knowledge, than others in the same area. Did you mean to infer that there may be a difference in intelligence in the people in the various islands you have been interested in?

Mr. Kudryk: I do not know which paragraph you are referring to, senator.

Senator Laird: I think I can find it.

Mr. Kudryk: If you do not mind.

Senator Laird: In your first page you say:

Many countries are capable of taking advantage of aid in developing their human and natural resources; others seem to be completely incapable of doing so or are otherwise unsuccessful.

Mr. Kudryk: This statement is an opening remark and it speaks in general about global foreign-aid involvement from the standpoint that with some countries—this does not refer only to the Commonwealth Caribbean—we already have a managerial technical base. For example, you can take what happened to Germany after the last war. They made the most effective use of what we call foreign aid and put it to the greatest advantage and, consequently, recovered from the war relatively quickly. Germany is now one of the most powerful countries in Europe. This was as a result of their technical base and because they were well developed. The same technology can be used for developing countries. If

such a base exists, they can make better use of it. We highlight this point to relate to our presentation as it affects the need for establishing a management consulting and counselling service in the area.

Senator Laird: In that connection you also indicated Canadian talent would only be used where local talent was not available. From your experience, is Canadian talent for this purpose readily available or is it difficult to obtain?

Mr. Kudryk: If you would like us to pack our bags and head out to the Caribbean, by all means. I think that Canadian talent is available and it has to be beneficial. It cannot be done on a sort of project by project basis, because to be most effective—at least we have found from our own experience—you have to sort of sink in roots. You have to appreciate the whole atmosphere—the habits, people, government, business and political climate. All of these are important in any involvement. An expert cannot work in a vacuum.

Senator Laird: That brings me to another question. Speaking quite bluntly, what is your relationship with CIDA and how do you get along with them?

Mr. Kudryk: I think we get along quite well. We have not had a job from them since our last involvement. At that time we were with another firm. This was in 1969 and we were working on an assignment. We are hopeful that in time we will be considered for other foreign assignment work that may come up in our area of competence.

Senator Laird: Did I understand you a few minutes ago to suggest that perhaps CIDA should act as part of, let us say, a co-ordinating agency to retain firms like yourselves for consultative purposes?

Mr. Kudryk: This can also be done. What we are suggesting here, however, is the establishment of a permanent body of experts located in the region, originally to a certain extent, where local talent is not available, to be staffed by senior Canadian personnel who would later be phased out. In addition to this, the normal CIDA involvement could also take place. I do not think there would be a duplication of effort or even conflict of objectives.

Senator Laird: Do you not suggest, in effect, what CIDA should do is to retain private firms like yourselves for this purpose?

Mr. Kudryk: Whether it is a firm or firms or individuals it is only when the structure would be defined in greater detail and the organization set up and then an inventory taken of local talent, could this really be answered, because it may be found that only one or two people would be needed from Canada, or possibly none at all.

Senator Laird: In your brief I notice in one instance you were undertaking a project and ran into labour difficulties. What is the labour atmosphere there, in relationship between management and labour?

Mr. Kudryk: It is quite similar to what one finds in Canada or the United States or anywhere else. Labour has certain demands, as it really should, which leads to aspirations of the people and as the result of aspirations of the people wanting a better standard of living, using the colloquial expression, a better deal for themselves.

Management have their own responsibility, be it through associations or to their shareholders. As long as there is this healthy interchange and personal demands—though the demands may be self-centered—you can deal with it quite effectively.

In the study in question, the original terms of reference were wrong. The situation, from the management consultant point of view, was very results-oriented. You did not have deal with the problem; you could very easily define the problem and then get after identifying the number of solutions. In this case it was lack of proper facilities, lack of appreciation of the demands of labour, lack of willingness to sit down and discuss, in the context of the whole environment, materials, handling, docking, good labour relationship practices and things like this. The problems had very definite solutions. It was not the case that the whole thing was getting out of hand.

Senator Cameron: I read the submissions with a good deal of interest and I should say the witnesses have put their finger on the crucial area, when they talk about the need for management, particularly in the areas of the developing countries. It is not confined to those, but it is particularly important there. I notice they had a project which seemed to pay off substantially, the banana project. You are no longer associated with it?

Mr. Kudryk: No, we have completed the job and they are carrying on on their own.

Senator Cameron: Have you found, subsequent to the publication of this paper, they are still continuing on a profitable basis?

Mr. Leo G. Wynnyckyj, Resources Management Consultants, Toronto: Very much so. The profitability as of June last year much exceeded the performance of the previous year, and it is continuing: As to the economics of the situation, prices have been maintained and the efficiencies are continuing on the scale that we have established as a standard.

Senator Cameron: Are there other projects that you think might be developed to the point of a successful market in Canada, which are not presently being filled from that area—if we could lick the transportation problem? You have mentioned bananas. Are there any others?

Mr. Wynnyckyj: There are opportunities for others—coconuts—copra might be a second one—which could be used in various industrial forms. We have not had very much exposure to that or investigation into that area. One we had under consideration was papaya, as it is called locally. It had some possibilities. But the first problem that you mentioned, transportation, is a very real one. It is one of the most important problems to overcome. The situation is not forbidding, because the transportation routes seem to be developing. Tourists are travelling into the area and there is aircraft and the communications are good. But it is mostly one-way traffic, in other words, nothing is coming back. Therefore this does create an opportunity. But the cost structure and also the direction of our markets in various of these commodities makes it difficult, mainly because of the transportation problem.

Senator Cameron: You mentioned papaya. My feeling would be that it would be one of acquiring the taste. You might have a job developing a taste for it in Canada. I do not know. As a foreigner going down there and being exposed to some of their dishes, papaya does not rate very high. This is a personal view. Are you saying that they are dependent pretty much on a one-crop economy when you are talking about bananas.

Mr. Wynnyckyj: Very much so. In fact, St. Lucia is a most dependent country and I have figures for the last few years that on the average over 80 per cent of the exports were bananas. Therefore, any alternative crop would be most beneficial to St. Lucia Island. The government is very conscious of this and in our discussions they have touched on the problem, but the solutions are very difficult to see, as to what can be developed, of a size and importance to the bananas.

Mr. Kudryk: An added consideration is that it is not only a one-crop economy but also it goes into one market. With the possibility of Britain entering the European Common Market, this may affect adversely that one market. So if you have a one-crop economy going into one market, they may not enjoy the economic terms that they had in the past.

Senator Cameron: You mentioned that in exploring the market in Canada you found that Steinbergs and I think Dominion Stores refused to change the marketing pattern, but Oshawa Wholesale had undertaken to do so. Do you think that this wholesaler or others that might join, would be influenced to expanding their purchases from that area, providing the transport problem can be licked?

Mr. Kudryk: The approach was made to these companies on the basis that it was still a feasibility study, so we really never had the opportunity to "talk turkey", to talk specific terms, to bring most senior officials of the company around a conference or bargaining table. These things have to be kept in mind. Whether the whole thing would be a go ahead for St. Lucia, on the transportation point of view, and whether the other companies could not be brought into the fold, so to speak, remains to be seen.

The thesis was that an attempt was to be made to capture only the quality market. It was not in any way to flood the Canadian market with bananas, because it was recognized that everybody would suffer, and St. Lucia the most, and that there were not the financial resources to sustain that kind of marketing program. So it was supposed to be done on high-priced, high-quality produce, possibly capturing a few percentage points of the whole Canadian market.

Senator Cameron: In that connection there seems to be a contradiction between what you have in your brief on page 2, item 6, and what you have stated today. On page 2, item 6, you say that, so far as trade is concerned, bananas sold in North America are far superior in quality to the West Indies bananas sold in the U.K. I may not have heard you correctly, but I thought you said that the quality of bananas sold in the U.K. was far higher than what we are getting.

Mr. Kudryk: I am sorry. I did not realize that that is how it was stated in the brief, because, if that is the case, it is a mistake. Let me qualify the statement. Bananas in the

U.K. are graded. They are graded and follow very rigid grading procedures. Bananas in Canada, in North America that is, are not graded *per se*. In North America the only grading that is established is bananas that are overripe and are sold very quickly and are, consequently, priced very low. You may, however, say that the over-all grade in North America is superior to that in western Europe—specifically in the U.K., because that is where we have had some experience. I spent some time in the U.K. on this question. However, if you are a particular and selective shopper you can get a far better grade of bananas readily in the U.K. than you can in the supermarkets in Ottawa, Toronto or any other place in Canada, because you do buy by grade.

Senator Cameron: In other words, we have two choices: either green or ripe.

Senator Grosart: May I ask, Mr. Chairman, what are the value judgments that go into grading? How do you decide whether one banana is better than another? They all taste alike to me.

Mr. Kudryk: Well, yes and no. To a certain extent it is a matter of acquired taste, as is the case with wines. There is a big factor in terms of appearance as well. Bananas that are spotted and bananas that have root disease would naturally fall into lower grades than perfect bananas. Unfortunately, we did not bring any colour photographs of different types of bananas, otherwise you could very easily see the differences in grades as established in the U.K. A great many people buy bananas as part of their fruit bowl for their decorative purposes. Eventually, when the decorative value fades, they eat the fruit.

Senator Robichaud: May I ask a supplementary to Senator Cameron's question, Mr. Chairman? In the annex to your report prepared for the St. Lucia Banana Growers Association, on page 2 you state that in 1967 the average wholesale price in Toronto for Chiquita bananas was 25.4 cents per pound. That figure seems rather high.

Mr. Kudryk: The explanation for that is that all of those figures are in east Caribbean currency. For the Canadian equivalent you must divide it by two.

Senator Robichaud: That is the explanation, then. Otherwise the figures were misleading.

Senator Cameron: The nub of the whole Caribbean economy is transportation—the problem of getting to the markets. You have indicated that there is a possibility that air freight might by the mid-seventies be a factor. To what extent is air freight being used now on a produce like bananas, which, although heavy, does not have a high value density?

Mr. Kudryk: Per pound value?

Senator Cameron: Yes.

Mr. Kudryk: It is not used extensively on such low per pound commodities as bananas. It is used for other produce such as strawberries and even tomatoes and some of the other vegetables. However, what we are proposing in our study is something that may happen 10 or 20 years from now. For example, feasibility studies are being made now to prove that it pays to ship Cadillacs by air right across the country; that it does not pay to inventory high-priced cars. What the relation is on a per pound basis as compared to per pound for bananas is something that would have to be gone into.

This study was intended to be really a continuing study rather than a one-study effort that would deal with and solve all our problems, because that is impossible owing to the fact that technology is a continuing thing. The conclusion we have reached is that with DC-8s it may not be feasible, unless it were really an ideal situation, but that once we go into the DC-10s, the Boeing 747s and the Lockheed's large cargo freighters which again are going to make their appearance in the late seventies and early eighties, then this appears in terms of air freight technology to be quite a feasible undertaking.

So what in effect we are attempting to do is to have a jump on the competition. A lot of other companies, or countries, are committed to an ocean-freight type of transportation model. So even with technology allowing this mode of transportation, people are hesitant to forego their investments and drop their investments in cargo ships in order to jump into air freight. There has to be a period of transition, in other words. What is being attempted at St. Lucia, with no vested interest, if you will, is to have that jump on the competition.

The Chairman: If I might ask a supplementary to Senator Cameron's question, and I think this is very fundamental to your whole

presentation, Mr. Kudryk, what is the present situation as it relates to Air Canada and this presentation that you made to them? It seems to me there are an awful lot of unanswered questions. Is this still in a stage of negotiation? Are Air Canada looking into this? Are you waiting for a reply? Is St. Lucia waiting for a reply? This not only involves St. Lucia, as you point out—and I don't think the analogy of Cadillacs is particularly apt, but as it relates to the fruits and so on of western Canada, from the Okanagan Valley, for example, the apples and so on and so forth, we are going to be faced with exactly the same problem of bringing these fruits to centres of sale or marketing centres. What I should like to know is where does this document stand?

Mr. Kudryk: This document, so far as Resources Management Consultants are concerned, has been completed. Further work on the regional basis is being done by the St. Lucia Banana Growers Association. They have a number of very capable people doing some leg-work on their own so far as where their involvement is in discussing with other islands the extent of co-operation of air freighting and pooling their requirements. There is also the question of the airport presently being built in St. Lucia and its capability to handle the future-type of aircrafts. That is very critical to this kind of undertaking, because you just do not build one kind of airport and then five years later think in terms of a much larger airport capable of handling Boeing 747s. Air Canada have pretty well indicated that they would be prepared to carry the produce, however.

Our own opinion is that this was a list price type of offer, that there is further room for negotiation. In other words, if this was carried to a more senior level, a finer pencil would certainly come into the picture. We feel that for this kind of operation not enough weight was given to the benefits to the region as well as Canada from Canadian involvement; that it was done more on the basis of somebody coming to Air Canada and saying, "We would like to export such and such a tonnage of limes, what kind of a deal can we get?" Frankly, I think we should get greater consideration for that person coming through the front door. We feel there is still much room for negotiation.

I would like to underline that this must be interpreted only as phase one of a continuing study. It is the only way to interpret this. Such a thing has to be carried on over a

number of years, because we are talking about quite a novel approach, a quite radical approach in terms of what is being done. It is based on taking advantage of what appears to be the approaching technologies.

The Chairman: In answer to my direct question, though, the negotiation is still continuing with Air Canada, the door is not closed?

Mr. Kudryk: We are not presently negotiating with Air Canada, so you may say that negotiations have lapsed.

The Chairman: Thank you, because I thought the discussion on page 20 of your brief almost incomprehensible, that there could be this disparity of understanding between whether it is a one-way trip or a two-way trip. I was very interested in your reply, that in effect this is in Air Canada's hands and you are not pursuing it any further.

Senator Macnaughton: I understand the witness has no mandate.

The Chairman: That is what I wished to make clear.

Senator Cameron: I presume the passenger load to the Caribbean is fairly high. In other words, there is no possibility of a combination of passenger and air freight, such as the plane that leaves Toronto two nights a week for Vienna and Zurich and is half freight, which impressed me very much. Naturally the passenger load is small and the difference is made up with freight. I presume the situation in the Caribbean is not comparable because there is a heavier passenger load.

Mr. Kudryk: That will be so even more with jets capable of landing directly at St. Lucia and a large portion of the traffic on a group charter direct arrangement, where the occupancy ratio is extremely high. For our approach to prove successful, the ideal situation is all freight both ways, because this gives the least cost situation on a per pound basis. Again I do not think it would be possible to have all freight both ways at the present time, even with the other islands co-operating wholeheartedly. Consequently, there would have to be a certain amount of passenger traffic.

Senator Cameron: I will leave that. I would like to go to the management side.

Senator Grosart: I was wondering when we were going to come to it. We have spent an hour on Lucia bananas.

The Chairman: Senator Carter, you are next. Are you going to direct your attention to that subject?

Senator Carter: We have been talking about bananas and Senator Grosart wondered how to determine the quality and grade of bananas. They all seem to look alike. I can tell him that in Ceylon they have 19 different varieties of bananas. I wondered if the bananas in the Caribbean are different from those in other parts of the world.

Mr. Wynnyckyj: There are as many opinions as there are experts on that subject. There are great similarities between the bananas now grown in the West Indies and what are now shipped to the North American market, the Valerie variety of banana marketed by United Fruit. That has the name "Valerie" while the St. Lucia bananas do not go by that name variety. There are various factors that influence quality. Some experts feel that the fact that bananas are shipped on stem contributes to the quality, so that when a banana is separated from the stem nearer to the point of sale it improves its taste. There are a number of other little factors of a local nature that influence quality, but generally speaking it is the grading that determines it. If the grading is performed near the point of consumption I think the guarantee of quality is more certain. Our bananas are normally shipped in boxes from various middle American countries and there is very little examination or re-packing, if any. In other words, they are shipped in boxes, ripened in the ripening room in Toronto or Montreal and then go into the store, whereas the grading in the United Kingdom is actually near the point of sale and the control of quality can therefore be of a different type.

Senator Carter: I should like to clear up one point in the brief. In the introduction you say that in these developing countries, particularly in the Caribbean, on which the brief is based, the most urgent need is for technical and managerial skill. You go on to say that this should be provided by Canada as a form of external aid. You base that on a statement by Professor Doxey, who said before this committee that the purpose of external aid is to:

...hasten the point in time when their economic growth will be self-generated

and will become independent of external assistance.

You introduced that statement with the word "If", which raises in my mind the question whether you actually agree with Professor Doxey's statement. You base your argument upon it but you do not say clearly whether you agree with it or not.

Mr. Kudryk: We certainly agree with his statement, senator, and we really base our whole presentation around this statement because we concur with it. This is why we say that possibly in the first year the cost of such an operation may be \$1 million, while over a period of ten years the need to support it is going to decrease by say \$100,000 a year. So, posing a convenient time period of ten years, we say that this would be self-supporting.

Senator Carter: These underdeveloped countries, the Caribbean countries, depend on their export trade and on two main exports, sugar and bananas. Now, they have a protected market in Britain. At the present time it looks as if Britain will enter the European Common Market and I would presume that these countries must be worried as to whether Britain can protect them or provide that same element of protection for their market.

Mr. Kudryk: I do not believe we are in a position to comment on that because we do not know what efforts are being made by the island governments in this respect. We are sure they are making every effort possible, but the nature of the effort or the degree of success or the guarantees they are able to obtain we really do not know enough about. But I think it is a topical question and a very pressing problem for most of these islands.

Senator Carter: You agree that they must have export markets if they are going to develop. Now they must work on the assumption that there is the possibility of Britain's going into the European Common Market and therefore they will have very much greater difficulty in competing and would have to do one of two things. They would either have to find other markets, possibly in North America, or come to some arrangement with the European Common Market itself. Now can the application of technical skills to these two industries make them much more competitive than they already are, and if so in what way?

Mr. Kudryk: I would like to answer that question by saying yes it can. However, more

important than that is the fact that there must come a time, and the quicker the better, when there is less dependence on this one crop or two crop economy. There must be industrial-commercial development regardless of how difficult it is. There cannot be just a preoccupation with the panacea of, say, tourist development, because tourist development has its own short-term disadvantages as well as its short-term advantages from a currency point of view. Tourism requires a lot of capital and can be of great benefit to a country such as Spain where the country itself provides all the necessary ingredients. It builds hotels, manufactures furniture, provides cutlery and dishes and already has a hotelier industry available. But when you take a look at the islands in question, the only thing they can readily provide is the water and sand for the mixing of concrete. Everything else must be imported and somebody has to pay for it.

Senator Carter: What about labour?

Mr. Kudryk: Labour must be trained if labour is not available in a trained form. Progress is already being made so far as training schools in the larger islands for hotel staff is concerned. However, the various facilities other than water and sand must be imported. Once a country commits itself to a tourist industry, it is committed to roads, to auxiliary services such as laundries, bakeries and a host of others. There has been a danger, as has been found by other islands, of too great a dependency on the tourist industry. We must also take into account the effects in terms of social unrest as a result of too great a dependency on tourism.

Senator Grosart: This was not Senator Carter's question. He asked specifically if technology could improve the marketing in two specific projects. He did not ask whether it should...

Mr. Kudryk: I was getting to that. It does, yes. It will improve them. Secondly, it will also—and possibly this is more important—assist the islands in their quest for industrial commercial development.

Senator Carter: But what I really wanted was how would they do it, what specific improvements would the application of technical skill and better management bring? In what way, to what problems?

Mr. Kudryk: Efficiency of operations. I do not want to dwell any more on this banana study, because that is not the real purpose in

being here. But—as is proven by our banana undertaking—we did not create better bananas or different bananas, we worked in the context of things as they were in St. Lucia.

Senator Carter: You yourself said that they have to get away from dependence on this one group, to a two-group economy, and they would have to find other resources. Then you go ahead and say that the tourist industry has a possibility but that it is not so good though it has its advantages. What other resources could you apply technical skill and management skill to, in those areas?

Mr. Kudryk: It is a case where you recognize what is available in terms of human resources. These islands are not endowed, in general terms, with any natural resources. They have human resources. These human resources can be turned into producing units, they can be trained, advantage can be taken of their availability, the possibility of relative costs, and applied to labour-intensive products—as has been successfully done in Hong Kong.

Senator Cameron: If I could get off that aspect and come to this recommendation that CIDA might spend \$1 million on consultant services and so on, are you confining this to the eastern group, the outer seven, or is this for the whole Caribbean, this \$1 million?

Mr. Kudryk: It is for the whole Commonwealth Caribbean.

Senator Cameron: That is not so bad. It struck me that this is a very large percentage of the total amount of CIDA aid. All right, this applies to the whole Caribbean area. That is still quite a lot for consultant services. While I realize that consultant services have a very valuable place in many economies, what about the value to the consumer, the Caribbean area, in terms of purchasing consultant services—and I realize they probably need some—or the establishment of training institutions right on the ground, to upgrade the quality of the people, specialists in agricultural production and so on? You are not thinking in terms of this \$1 million in providing that kind of training?

Mr. Kudryk: I think there should be a little bit of both, that is point one. Point two, the training is already taking place and unfortunately a good percentage of the trained people leave the islands and come to work in Canada and other countries. Efforts will have

to be made—possibly through the establishment of such consulting units—so that the best of those people be retrained, so that they do not choose to leave the islands and come to work in Canada, so that there is room for them and so that the type of work that is offered and the opportunities offered are of such a nature that they remain and stay in the Commonwealth Caribbean, and this would be a vehicle to do so.

Senator Macnaughton: If I understand your brief, which is very interesting, it is to the effect that you suggest professional services be rendered to the islands in general, and that Canada foot the bill as a major contribution, is that it?

Mr. Kudryk: Yes, and the extent would depend on the extent of contributions of the island governments.

Senator Macnaughton: Surely. Have you heard of the Commonwealth Development Corporation?

Mr. Kudryk: Yes, we have.

Senator Macnaughton: Did you go into its activities?

Mr. Kudryk: What some of the objectives are?

Senator Macnaughton: Yes.

Mr. Kudryk: We are familiar with it. In terms of the staff they have, they certainly have some technical staff and do offer some services, and this could be compared to a number of similar organizations, say, in Canada.

Senator Macnaughton: Is it not much more than that? Have they not been located in the islands by the British government as a semi-crown corporation for years? Have they not made surveys of these islands?

Mr. Wynnyckyj: Yes, senator, they have, and their actual operations are of a very sound nature. In fact, they undertake to operate ventures. For example, in St. Lucia there is the St. Lucia Beach Hotel that is operated by them, and they have picked up an ailing venture and by the introduction of new talent and management techniques and acquiring ownership they have, in fact, introduced that skill we are talking about.

This is a very good way of offering aid, by going right into countries and establishing various projects where ownership or part

ownership is retained by the crown corporation, and then the local businessmen and other investors are invited to participate and, in fact, to work together, and this knowledge is transferred. Their objective is to employ as much local talent as possible. In fact, they are very flexible, by pooling a variety of skills in hotel management, in agriculture and other areas, and bringing them to bear on a special aspect under consideration. This is definitely a very effective way of operating. This is a little more than we have proposed. We are saying that this knowledge and skill transfer should be available on call, without necessarily ownership being involved, similar to how this consulting service is offered in Canada; in other words, having consultants not necessarily participate in the project they study.

Senator Macnaughton: If we have already good experience and surveys, and they are already set up and have a staff with headquarters in Barbados, would it not be more economical for Canada to support them than a brand-new organization with no such set-up?

Mr. Wynnyckyj: The system of support obviously would present certain problems. This is a crown corporation which would, for example, review a project. When a businessman has a project that he wants to undertake, he sees the Commonwealth Development Corporation. They review it and would either indicate interest and provide financing and managerial skill, or not.

Senator Macnaughton: Have you been in touch with them?

Mr. Wynnyckyj: I have dealt with them on one specific inquiry we were involved in, incidentally, together, in connection with the papaya.

Senator Macnaughton: You might even take them over. Do you know the Prime Minister of St. Lucia?

Mr. Wynnyckyj: Yes, we have met Mr. Compton.

Senator Macnaughton: Are you aware he is an honour graduate of the London School of Economics plus other things?

Mr. Wynnyckyj: Yes.

Senator Macnaughton: And very much on his toes, if I may put it that way.

Mr. Wynnyckyj: Very much so. We have great respect for Mr. Compton.

Senator Macnaughton: Getting back to the banana question, you say it was the chief crop or 80 per cent of the crops?

Mr. Wynnyckyj: Yes.

Senator Macnaughton: What other crops have they?

Mr. Wynnyckyj: The next in line would be copra, coconuts, which would be not even one-tenth of the banana crop.

Senator Macnaughton: Did you go into the question of ownership and control of the banana industry?

Mr. Wynnyckyj: Yes, senator.

Senator Macnaughton: Who controls it?

Mr. Wynnyckyj: It is a banana growers' association. Actually, it is owned by the growers. The Government, in fact, has now made it a statutory corporation but still retains the ownership of the growers. There are three directors appointed by the Government and the others are elected.

Senator Macnaughton: Who are the other competitors?

Mr. Wynnyckyj: There are no competitors.

Senator Macnaughton: It is a one overall association?

Mr. Wynnyckyj: Yes.

Senator Macnaughton: I was under the impression that there was a Norwegian or a Swede who had moved in there and organized quite a monopoly.

Mr. Wynnyckyj: I think you mean Geest Industries, which is a shipping company and in fact they do buy all the bananas, transport them and have great facilities in the U.K.

Senator Macnaughton: In other words, they have control through control of the shipping?

Mr. Wynnyckyj: Yes, but the agreements that we have signed with the Windward Islands—they are signed in groups through the association of the four islands—and banana growers' association have been beneficial over the years. In fact, Mr. Geest is considered as one of the more far-sighted individuals who have contributed greatly to the progress that the islands have made. In other words, he is very favourably looked upon. Geest Industries have supported and established research facilities. For example,

they have been seen in St. Lucia and they have worked on the islands on the development of the banana industry quite intensively with a considerable measure of success.

Senator Macnaughton: In other words, you know that story in any event. My point was that the man who controls the outlet can call the price.

Mr. Wynnyckyj: Yes, except the way that the prices are set, such as in St. Lucia and other Windward Islands. The residents or growers have a fairly good disclosure of how the price is determined. In other words, when things are bad they know why and are, in fact, in the actual picture. As a matter of fact, the Windward Islands Banana Growers' Association had the opportunity of asking an audit firm to submit to them the financial figures for "Geest" operations, as they apply to all expenses involved in handling bananas and the prices are established on the basis of green bulk prices and the various costs involved. From that point of view I would say they are participating more in the price structure than we are in Canada.

Senator Macnaughton: What I understand you to say is that the Government is happy with the arrangement.

Mr. Wynnyckyj: It is satisfied with the arrangement. These arrangements have benefited the countries and, of course, they would always like to have a better deal. One of the things that the shipping company has made a point of, over a period of time, is that the quality of bananas has varied for the last four or five years in the negative direction. In other words, they have deteriorated, and there were various attempts by the Government and the shipping company to improve this quality. In fact, our involvement was very much directed towards this end.

Senator Macnaughton: The shipping of the produce is chiefly to England?

Mr. Wynnyckyj: Entirely.

Senator Macnaughton: I understand there are one or two large American shipping corporations which ship primarily to the United States?

Mr. Wynnyckyj: They do not participate in the trade in the Windward Islands.

Senator Macnaughton: Is it your proposition to set up air shipping?

Mr. Wynnyckyj: This would be in relation to the market setup, I believe.

Mr. Kudryk: It certainly will have to rely on air freight as a way of transport.

Senator Macnaughton: It is a suggestion?

Mr. Kudryk: Yes.

Senator Macnaughton: Have you gone into the airport situation on the Island?

Mr. Kudryk: We are acquainted with the type of airport and its aircraft capability—the length of runway, and things of that nature. We discussed it with CIDA officials, yes.

Senator Macnaughton: You appreciate, of course, that during the war the Americans had a large air base there which could easily be rebuilt, I assume. It has long runways and all the rest of it, whereas the local airport is very small.

Mr. Kudryk: Yes.

Senator Macnaughton: Did you look into the question of road transport? What is the use of having a big airport if you do not have the roads?

Mr. Kudryk: We were very much concerned about road transport because it affected the quality of the bananas. There are certain things that can be done on St. Lucia, and certain things that cannot be done, and one is the building of a high quality road network. Recognizing this our involvement was in the areas of the padding of the fruit, the padding of the trucks, and the padding of the individual bunches of stems of bananas, because we recognize the fact that the present condition of the whole network of roads, and not just one or two sections of road, is going to change significantly in the immediate future.

Senator Macnaughton: As management consultants did you look at the tourist trade, or was that outside your terms of reference?

Mr. Kudryk: We were not engaged in a professional manner to look into the tourist trade. We have had a number of discussions with St. Lucia officials about the pros and cons of the tourist industry, but we were not engaged in a study of it, no.

Senator Macnaughton: Do you know the hotel situation there?

Mr. Kudryk: We know of the hotel situation, let us say, up to the end of 1968. There have been notable changes since then, and I do not think we are competent to talk about the current situation.

Senator Macnaughton: Do you know of the electrical problems and the water problems, which are connected with the tourist industry?

Mr. Kudryk: I think we know of some of the problems in general terms, yes.

Senator Macnaughton: I will not dwell on that. Somewhere in your brief you say that if foreign consultants are sent in they might not be welcome; that there is local jealousy.

Mr. Kudryk: Yes, but it is really a case of how well the consultant conducts himself in the environment to which he is sent. It depends upon his maturity and what his human relationship traits are, quite apart from his technical competence.

Senator Grosart: I have never met one who did not think he was mature, and an expert in public relations.

Senator Macnaughton: Have you glanced at whether we should have a Canadian shipping subsidiary in particular to service trade with the Island? We had one at one time.

Mr. Kudryk: Yes, and it was a very effective one.

Senator Macnaughton: Have you any view on that?

Mr. Kudryk: I think it would have to be qualified in so many ways that our answer would be of no value. We were only concerned with the availability of present modes of transport. Even the revival of ocean freight did not appear to be in the best interest of bringing quality bananas to Canada for merchandising. We felt the only way to do this would be by the use of air freight. This was the whole thesis of the initial study.

Senator Macnaughton: I suggested that because Canada ships a lot of pulp and paper products to that area. In your brief you mention a marketing agency in Canada. Have you anything to say with regard to that?

Mr. Kudryk: The marketing agency would co-ordinate the purchasing of Canadian goods for islands in the area. It would schedule their arrival at the airport, the loading of the chartered air freighters and subsequent shipments to the area.

Senator Yuzyk: Did the idea of a marketing agency in Canada arise out of your discussions with officials and government officials there, or did you get this idea in Canada?

Mr. Kudryk: Apart from specifics we had to do ourselves, this study to a great extent was carried out in concert with the thinking of people in St. Lucia directly involved with the banana industry. Many of the ideas are really theirs. We had very frequent and close communication and interchange of ideas. Very little of it really came as a surprise to us in terms of an approach.

Senator Yuzyk: How practical is it to have such an agency in Canada that will deal with all these items?

Mr. Wynnyckyj: The agency idea was one of necessity of organizing the complete complex of traffic. In other words, the concept becomes feasible only if the aircraft bringing bananas to Canada has return freight. Otherwise it would be very costly. The study dealt with a number of methods of organizing this return freight. In other words, the merchants would have to get together to direct some of the purchases to Canada. In order to achieve this a co-ordinating agency which would have some very specific objectives in mind, in fact the guarantee of return freight, would be necessary. It is not a general type of agency to deal with problems of co-ordination of purchases, but really for that particular purpose. We felt that this would be a good way of doing it.

Senator Yuzyk: Would it attempt to keep a balance of trade?

Mr. Wynnyckyj: There are quite a few matters that would have to be explored in detail, such as what kind of freight would be diverted, and what would happen to the balance of trade with the United Kingdom, for example, if that is from where the trade is diverted. Knowing the trade patterns, if they were disrupted it would be a serious business.

Mr. Kudryk: It would be more concerned with the balance of freight than the balance of trade in the immediate future.

Senator McLean: According to press reports of the last year or so there has been an attempt to encourage those in Trinidad interested in industry, and those from other countries, to develop some of the raw materials such as fisheries. What species of fish are there in the waters around Trinidad and what capabilities have the people in Trinidad to catch these fish and in what abundance could they be caught in order to be of much use?

Mr. Kudryk: We are really not in a position to answer that question to your satisfaction,

senator. First, it is a very specific question which would require a specific study and, furthermore, we have not been involved in any fish processing or fish marketing studies at all.

Senator McLean: I thought you mentioned fish in your brief.

Mr. Kudryk: Well, we did discuss with an official from Barbados at one time the possibility of marketing flying fish in Canada, but unfortunately we were not involved in any study of that problem. It was no more than simply a discussion.

Senator McLean: I understand that there are regulations in Jamaica restricting the amount that a retailer can charge for any commodity he imports. I understand that nearly all the Caribbean countries have the same regulations. So what chance is there of breaking into the market successfully?

Mr. Kudryk: You are referring specifically now, senator, to the question of our fish versus their fish, are you?

Senator McLean: The importer brings them in and his margin of profit is getting narrower all the time because of Government regulations not allowing him to raise the price on the retail end. Therefore he is getting to the point where it doesn't profit him to import, and companies that I am connected with ship produce in there worth between \$5 and \$6 million a year.

Mr. Kudryk: The first pre-occupation of the island governments should be, in my opinion, to satisfy the local markets rather than to think in terms of exports. Naturally, some of these things can be done concurrently, but the local demand should be foremost in the government's mind, and its activity possibly even directed in this area by local demand. I don't just mean one particular island's demands, but the whole region's. And then this would fall into inter-island trade.

The Chairman: Senator McLean, I really think the question is, as intimated by the witness, beyond his competence.

Senator Robichaud: Mr. Chairman, I should like to follow up on a question that was asked having to do with shipping and the flow of trade. In your study, Mr. Kudryk, you have mentioned that you have studied direct shipping services between St. Lucia and Canada and the possibility of air transportation. You also told us that you have had some contact

with other islands such as Jamaica and Barbados, if I remember correctly. In your study, if you wanted to develop or recommend development of a trade, say the banana trade between St. Lucia and Canada, and particularly if you were considering the air trade, knowing that the one-way trade was not a paying proposition and that no air company such as Air Canada would be interested in it, how much consideration would you have been giving to a two-way trade—say shipments from Canada to the Caribbean and back?

Mr. Kudryk: Very much. The study actually goes in great detail for the two-way trade. Right at the outset of our involvement, which even led to the study in the first place, this was the basis of the whole undertaking, that it could only be feasible if it were undertaken on a two-way trade basis. Since a study of imports of Canadian goods into the area showed these were significant in tonnage, it led us to believe that the study was really worth while and should be looked into.

Senator Robichaud: What particular Canadian products have you had in mind?

Mr. Kudryk: On page 26 of our study we show that for general categories there was over seven million pounds of food products imported into St. Lucia; about 400,000 pounds of beer and tobacco; 400,000 pounds of soaps and cosmetics; 170,000 pounds of clothing and footwear—I am giving figures for 1966, which were the last available at that time—pharmaceuticals, 90,000 pounds; electrical machinery, appliances and furniture one million pounds; tires and vehicle parts 60,000 pounds; and paints and enamels 390,000 pounds, and so on. The total tonnage, incidentally, for 1966 was 4,400.

Senator Robichaud: Have you approached any Canadian manufacturers of these products to find out if they are interested in using air freight to transport their goods to the Caribbean?

Mr. Kudryk: You know, frankly, at this time it was premature to approach them. We had to know first whether it was feasible at all before we got them excited about it. They would definitely be interested if the landed cost enabled them to compete with similar or like products from other countries. They would definitely not be interested if their landed cost priced them out of the market. We have to determine this in terms of what the cost structure would be, using the air freight model. This is why we said it is a

continuing study, because it reaches a certain juncture and highlights some problems and opportunities and then waits for the decision of the St. Lucia Banana Growers Association for further direction.

Senator Grosart: Mr. Chairman, it is twenty-five minutes to one and the Senate is sitting at two. I had rather hoped we might have had a discussion of the main thesis of the brief; that we might have had a discussion on the need for market counselling, whether CIDA should fund it and its relationship to what CIDA is doing now. We have no evidence before us except a vague statement in this brief that they are doing very little, which is not what they have told us. I had hoped we might have had a discussion on its relationship to previous United Kingdom studies, of which there have been many, and its relationship to what Canadian banks and their market counselling services are doing down there. Now it is too late to get into this. I would like to have had answers to these questions because I think they are germane to any decision which we may make here on this recommendation. I find myself in general agreement so far as the need is concerned and I think anybody who has been to the Caribbean would agree that there is a need. However, it is now too late to get into a discussion on these.

The Chairman: Could I suggest, Senator Grosart, that you pick out one of the subjects which seems to me to be emergent from this, for example the relationship with CIDA, and perhaps the witness would be prepared to discuss the relationship with CIDA and how it is operating.

Senator Grosart: At the present time we have the Canadian Development Research Corporation for this specific purpose—to do research for developing nations. It would take us an hour to get into this discussion in any detail and to get the facts we require. However, I shall ask that question. What is CIDA doing now?

Mr. Kudryk: I think it is involved in many of the things that you have pointed out, senator. The brief does not imply that it should do away with any of the things that have been established, the worthwhile things. What the brief says is that there is a need for a locally established and locally staffed consulting unit that would be there on a permanent basis, and that would not only undertake studies but possibly also take studies that

have already been done from a number of government agencies and choose the ones that it feels have the greatest chance of success, and be involved in their implementation.

Senator Grosart: I read the brief and I am aware that that is the suggestion. But it is very difficult to respond to any such a suggestion unless there is some evidence before us as to what is now being done. Your management consultants, I assume, if they came before the committee, would give us that information. But what are the banks doing? What are the present facilities there? What you are suggesting, as I understand it, is that CIDA takes 5 per cent of its present total funding in the Carribbean and puts it into this particular channel. Now the first thing we want to know is what is going on there. Would this be a supplement? Will it replace something? What are the banks and the insurance companies doing there? What is CIDA doing in terms of dollars and projects?

Mr. Kudryk: Unfortunately we do not have the specifics you require at this time. Our purpose here is to sell a concept rather than give a detailed presentation, because I think the concept must be considered.

Senator Grosart: The concept must come out of the detail. Without the detail you cannot assess a concept, and in my view these are very essential details. I feel they are very important.

Mr. Wynnyckyj: Perhaps it is quite true, senator, that you need information about what the banks are doing. We know the banks there because we had to deal with them. In fact they wanted us to be there because they did not have the competence they felt we had. If you recall our presentation, the banks were the main lenders to the St. Lucia Banana Growers Association which was in financial difficulties and therefore they were very much concerned with the situation. Obviously they were not in a position to do anything about it and therefore there was an opportunity for management consulting advice.

Senator Grosart: Why do you day the banks were not in a position to do anything about it? I have read the bank ads showing us pictures of bank managers with hard hats and telling us that they don't lend money without knowing more about the business than the proprietor does. Now, you say the banks are not in a position to do anything. They came to you and said "It is wonderful that there is

somebody in here telling us whether we have a good investment or not".

The Chairman: In fairness to the witness, the banks do employ outside contractors and auditors.

Senator Grosart: Of course.

The Chairman: People with specialized knowledge and expertise are required, and my presumption is that this is the case in St. Lucia where they did have outside contractors.

Senator Grosart: Excuse me, who engaged your group?

Mr. Kudryk: The St. Lucia Government was involved and paid for the initial study. CIDA was involved and paid for the first aspect of the implementation. Most of the 1968 involvement was actually paid for by the association.

Senator Grosart: Did the banks contribute anything?

Mr. Kudryk: The banks contributed working capital.

Senator Grosart: Did they contribute anything to the study?

Mr. Kudryk: No, not in money for the paying of fees or expenses.

Senator Grosart: But they were very glad that you might help them out with the problem of investment.

Mr. Kudryk: That is right.

Senator Grosart: This raises another question. We know that our aid to the Caribbean is on a response basis. Presumably in this case Premier Compton's Government requested this from CIDA and CIDA responded. Are you aware of any other similar requests from the Caribbean to CIDA for this type of study.

Mr. Kudryk: When you say "this type of study" are you referring to bananas?

Senator Grosart: No, no.

Mr. Kudryk: Or any other type of investment?

Senator Grosart: Yes.

The Chairman: Particularly as it relates to management consultants.

Senator Grosart: Yes, any request for CIDA to provide management consultants anywhere

in the Caribbean. I say that this is important because the essential principle of our aid is response. If we are not asked, we do not give aid.

Mr. Kudryk: We can answer in general terms that a number of such requests have taken place both from St. Lucia and from other islands but I do not think we are in a position to give examples.

Senator Grosart: You do not know what they are? You know that there are some, but you do not know what they are? Mr. Chairman, I think we should ask CIDA to give us this information.

The Chairman: It is a very important question.

Senator Grosart: It would be very important information for us to have. The reason I ask this type of question, as the chairman will appreciate, is that he and I attended a symposium at different times on the Caribbean. I shudder to think what would have happened if this proposal had gone before that symposium. The vast majority of the people were Caribbean, and the main topic of two topics was Canadian Imperialism in the Caribbean. Would you not say that there would be a very strong anti-Imperialist reaction to any suggestion (a) that we do any more studies and (b) that they be done by foreigners? I say this because one of the statements made was "please do not do any more studies, give us some money".

Mr. Kudryk: Yes, I agree to both of your statements. However, our proposal is that it be staffed by people from the area, that it should not be staffed by foreigners, that it should be a permanent body operated by locals for the benefit of the local economy, that it should only supplement but should not dominate.

Senator Grosart: How many native-born management consultants are there in the Caribbean?

Mr. Kudryk: I am sorry, but I have no idea.

Senator Grosart: Are there any?

Mr. Kudryk: I believe some are employed in Trinidad.

The Chairman: Senator Cameron, have you any idea?

Senator Cameron: No, but there are very few. That is why I come back to my original question, whether the money should be spent this way or whether it would be better spent on training natives in managerial practice.

Mr. Kudryk: Possibly one would have to include in this concept of consultants the university professors who are doing some consulting and who therefore, are available on this basis. There is definitely a nucleus for professional consultants by way of the university, which has happened also in Canada.

Senator Grosart: Are there any practising management consultants in the Little Seven?

Mr. Wynnyckyj: Normally, if there are any offered they would be through the various audit firms who may have their talent, or associated companies may have consulting arms, and they would bring in the talent to the area, if such a need arose.

Senator Grosart: Is there any native consultant practice? I do not mean ancillary to auditors or lawyers.

Mr. Kudryk: No.

The Chairman: Are there any other questions?

Gentlemen, thank you very much. You will have seen from the extensive questioning that there is great interest in your proposal and, as I said at the outset, your brief was very intriguing. Perhaps we did not really get to the main element until quite late in the discussion, but on behalf of the committee I express to you our gratitude.

The committee adjourned.

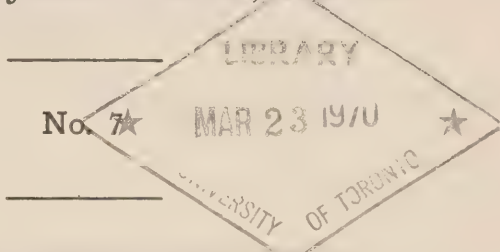


Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*



WEDNESDAY, FEBRUARY 25, 1970

Respecting
THE CARIBBEAN AREA

WITNESSES:

From Canadian University Service Overseas (C.U.S.O.): Mr. Frank Bogdasavich, Executive Director; Father Harold Gardiner, Director of Caribbean Program; and Mr. Robert Sallery, Public Relations Officer.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29, 1969:

“With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.”

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

“With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.”

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

“With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.”

Extract from the Minutes of the Proceedings of the Senate, Wednesday, February 18, 1970.

“With leave of the Senate,
The Honourable Senator McDonald moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Senate Committee on Foreign Affairs have power to sit during adjournments of the Senate.

The question being put on the motion, it was—
Resolved in the affirmative.”

MINUTES OF PROCEEDINGS

WEDNESDAY, February 25th, 1970.
(8)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 10.05 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Cameron, Carter, Connolly (*Ottawa West*), Eudes, Grosart, Lang, Macnaughton, Robichaud and Yuzyk—(10).

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee continued its study of the Caribbean Area.

The Chairman (Senator Aird) introduced the following witnesses:

From The Canadian University Service Overseas (C.U.S.O.):

Mr. Frank Bogdasavich, Executive Director;

Father Harold Gardiner, Director of Caribbean Program; and

Mr. Robert D. Sallery, Public Relations Officer.

A handbook entitled "Canadian Graduates—Their Qualifications and the Jobs They Do" was tabled, and will be retained in the custody of the Committee Clerk for future reference by Committee members. (*Exhibit "A"*)

Agreed: That the background paper submitted by C.U.S.O. entitled "Report to the Senate Committee on Foreign Affairs respecting the Caribbean Area" be made part of the Committee's records. (*See Appendix "F" to this day's proceedings.*)

Agreed: That a number of newspaper articles, to which reference was made by the witnesses, be filed with the Committee as *Exhibit "B"*; and that examples of these articles be despatched to members of the Committee.

The witnesses were thanked for their attendance and their contribution to the Committee's studies.

At 12.35 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE SENATE

EVIDENCE

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

Ottawa, Wednesday, February 25, 1970

The Standing Senate Committee on Foreign Affairs met this day at 10 a.m.

The Chairman (*Senator John B. Aird*) in the Chair.

The Chairman: Honourable senators, our witnesses this morning are from the Canadian University Service Overseas. They are Mr. Frank Bogdasavich, Executive Director; Father Harold Gardiner, Director of the Caribbean program, and Mr. Robert Sallery, the Public Education Officer.

I had a discussion this morning with the three witnesses. Their method of presentation will be that Mr. Bogdasavich will lead, followed by the two others. The intention is that that presentation will take between 10 and 15 minutes and then we will go on to the questioning.

All of you have received this somewhat remarkable brief, which I consider to be extremely well done and to be extremely provocative, so I believe you are well informed about the general contents of the matters to be brought before you this morning.

Honourable senators, if most Canadians were asked to name one agency, governmental or non-governmental, engaged in assisting developing countries, I am sure that a solid majority would give the name of CUSO (the Canadian University Service Overseas). The organization, despite its small-scale and relatively recent origins, has established an outstanding reputation for effectiveness and enthusiasm. Apart from its own direct contribution, it has heightened Canadian public interest and concern for the problems of the Third World, and CUSO's returned volunteers have served as effective catalysts in their own communities across the country.

At this point, may I say I did not identify the group of persons sitting at the side, near

the wall, but I presume that they are some of the catalysts to whom I have made reference.

Mr. Frank J. Bogdasavich, Executive Director, Canadian University Service Overseas: They are, Mr. Chairman. Most of them are in my office.

The Chairman: I assume they are here from both a critical and constructive point of view. As CUSO's brief points out, the Commonwealth Caribbean has always been an area of concentration for the organization, with a total of 378 volunteers having served in the region since 1962. This year there are volunteers in various fields in ten different countries or territories.

We felt that it was very important to hear from CUSO in this inquiry for two main reasons. First, because the work of this group plays a significant part in the development of the region; and second, because it is also an important element in Canada's overall relations with the Caribbean countries. I think it is also most useful, at this point in our study, to have the opportunity to discuss our concerns with people who are attuned to the views of average West Indians, particularly the young, and those of you who have read the brief will appreciate what I am speaking about in that regard.

The brief touches on many of the issues which are of most concern to this committee—and it does so with gratifying candor. I know that we will have much to discuss.

Following our usual format, Senator Cameron will lead the questioning. I know several other senators are prepared to follow on. Therefore, I welcome these three witnesses most heartily. I also welcome their confrères, their colleagues.

Mr. Bogdasavich: Thank you, Mr. Chairman. Honourable senators, in many ways it is very difficult for us to appear before the Senate committee to act as witnesses respecting the Caribbean area. For one thing, we are not experts in the field of aid, trade or devel-

opment in its broadest sense and, secondly, we are not West Indians and do not claim to speak for them. Thirdly, you have been fortunate to hear from many well informed and articulate Canadians in previous hearings. We are honoured, however, to be invited before this committee and appreciate this opportunity to share with you some of the experiences which the Canadian University Service Overseas, or CUSO as it is better known now, has had with respect to the Caribbean area.

I wish to apologize to those honourable senators who would have found it easier to work from a French language text. I must advise that our translator has been ill for some days with a serious case of the flu. Our analysis is that it is the European variety.

You will already have been told that our presentation is divided into two main parts. Father Harold Gardiner, sitting immediately on my right, will deal mainly with questions concerning the first section of the brief. Robert Sallery, our Public Education Officer, will take the major responsibility for responding to the general observations and concerns referred to in the second section of the report.

As CUSO has not made any formal representations to a Senate committee before, Mr. Chairman, I thought it might be useful for me to make some general remarks about the size and finances of the organization.

CUSO has over 1,100 Canadians as of this date working in over 40 countries in Asia, Africa, Latin America and the Caribbean area. We have a substantial and vibrant Francophone-Canadian program concentrated mainly in Africa. The organization is a private, non-government, non-profit organization incorporated under Part B of the Canada Corporations Act. We are, however, grateful to the Government of Canada for its annual contribution to the CUSO program and for its continued respect for its autonomy. In 1968-69 an amount of \$2,374,360 was obtained under the terms of a contract with CIDA. Overseas governments and agencies contributed an estimated \$2,690,000 in that year in the form of salaries and housing supplements to CUSO personnel in their employ.

CUSO also receives substantial support from the private sector in Canada. Indirect financial support came from a wide range of participating organizations, particularly from universities and colleges across Canada that supplied voluntary staff, office space and

equipment for our local committees. We have 81 of them and they form the basis of CUSO's recruitment and selection system. Members of the advertising industry voluntarily assisted in the preparation of recruitment advertising which was carried free of charge by newspapers, magazines and the radio and television media as a public service. Pharmaceutical and other companies donated drugs and medical supplies for medical kits packaged for CUSO personnel by the Department of National Health and Welfare. We estimate the total value of such indirect assistance in 1968-69 to exceed \$500,000.

Some \$400,000 of direct revenue was obtained within the private sector in Canada. This includes donations from individuals, corporations, foundations, community and service groups and the thousands of Canadians who participated through the "Miles for Millions" marches.

As we have pointed out in our brief, the Caribbean program is presently on a \$262,900 budget for the current year ending March 31, 1970. Of this figure, which includes the amounts paid by governments and agencies in the Caribbean area, about 79 per cent of the funds went towards recruiting, training, transportation, allowances and health and insurance expenses of the total 129 personnel presently in the West Indies, and towards the maintenance of our field staff there. The remainder was used to provide administrative and other support services in Canada.

The total direct cost to CUSO of maintaining personnel in the Caribbean area for the year ending March 31, 1970, will be approximately \$2,031 per capita. Because of the geographic proximity of the Caribbean area to Canada, this figure is somewhat lower than the figure for 1968-69 which, for the program as a whole, was \$2,500 per capita.

As in other regions of the world where CUSO is working, which are referred to as "developing" or "underdeveloped" countries of the Third World, the people in the Caribbean area are attempting to follow an independent path in the presence of the often-called "dual economy". The usual characteristic feature of the dual economy found in all developing countries of the world is that a contrast exists between a subsistence level of local agricultural production and a highly remunerative foreign-dominated export sector within the same country, with little, if any, interaction between the two sectors. In that

sense, they are considered to form two different economies which result in sharp contrasts in life-styles between the people in each.

In most of these countries the overwhelming majority of the people are to be found in the subsistence level sector. They are each nation's poor and it is for them, and more particularly for their programs, that CUSO, with varying degrees of success, attempts to work. It is their governments who pay a local not a Canadian, salary for each of our workers. It is for these reasons that our brief, particularly in the second section, attempts to convey some of their frustrations and anxieties about us and our efforts in their region. The primary emphasis in our relations with the Caribbean area, we feel, must be directed towards their economic development; secondly, there must be a just return for Canadians. Under no circumstances, we believe, should Canadians view the Caribbean area as a region where we must compete with other wealthy nations to exploit the resources of these islands and their peoples for our considerable financial benefit. This concludes my remarks, Mr. Chairman.

The Chairman: Thank you very much, Mr. Bogdasavich. Before introducing Father Gardiner, I should like to say a special word of welcome to him, because it is my understanding that he has made a special trip from Barbados for this occasion. We are very grateful to you, Father Gardiner.

Father Harold Gardiner, Area Director, Canadian University Service Overseas: Mr. Chairman, honourable senators, you will have to bear with me. I caught my usual cold in coming to Canada again. I do appreciate the opportunity of being with all of you today. We all understand that the climate in Barbados is much more agreeable at this time, but I have found that the interest in and concern about Canada-West Indies relationships is an uppermost priority in both the CUSO program and, I believe, in your own area of study. We have followed with interest your previous deliberations at these Senate hearings, and respect the time and effort you have had to put into this particular area of investigation.

Mr. Chairman, the first half of our presentation deals with the nature of CUSO's involvement in the Caribbean area. Since I have spent three years in the West Indies, I wish to present to you briefly the historical perspective and the extent of the program growth. We discuss in the brief the present

stratification of our personnel and the kinds of requests which we are now receiving. There is no question now that manpower requirements of the Caribbean area are far more professional and technical than we have perhaps supplied in the past.

We have discussed briefly in this presentation the program's decentralization and the phase-out of some of the placements in the smaller islands. Although we have tried to provide our own rationale for such decisions as decentralization, phase-out or even beginning new programs, the final decision and authority for the extent and direction of the program must necessarily come from the governments of the Caribbean itself. In all honesty, we must recognize that the demands placed upon CUSO in its over-all program are very real. We must also recognize that our contribution to the Caribbean countries is minimal at best, and we have not been able to fulfill the demands for the manpower which they are now seeking.

Many people ask us what our contribution to the Caribbean area is. We can and do say that for the most part we fill in manpower gaps at the middle levels until the Caribbean states can adequately fill these with their own citizens. In a larger context, however, and I think this is important, we have provided many Canadians over the years with an opportunity for exposure to and an understanding of the many and varied problems related to development.

I have made only a few brief comments on Canadian aid in the brief, and in many cases merely repeat the kinds of things which I have been told by various West Indians. Any true assessment of Canada's official aid must be done on a more detailed and accurate basis involving the West Indians themselves.

In summary, my comments are related to CUSO's involvement in the context of social and political aspirations of the many West Indian contacts we have. I may add that we have 129 personnel in the field.

Mr. Robert Sallery, Director of Public Education, Canadian University Service Overseas: Mr. Chairman and senators, the second part of our brief dealt, as you will have noted, with the concerns which we, the volunteers or personnel, as they are now called—because, in the eyes of West Indians, anyone receiving a counterpart salary is not a volunteer,—the field staff and Ottawa secretariat, have about present and future relationships of Canada to

the West Indies. We stress the word "concerns" because there are problems and situations developing which, despite all intentions to the contrary by well-meaning Canadians, are producing a climate of hostility, mistrust and frustration in the West Indies. There are, of course, many good and favourable elements between Canada and the Caribbean existing at the present time, as other witnesses have pointed out to you, but we are concerned with the increasing possibility that these relationships will get worse and not better.

Our final concern, and this is really why we are bringing these matters before this committee, is that, for the main part, it is Canadians themselves who are making these problems more acute.

Having attended several other Senate hearings respecting the Caribbean, including the last one, we are somewhat wary about making the presentation which we have made, not because we do not fully stand behind what we have said, but because we would want to be able to document this more fully and accurately for you. This is very difficult to do. As was mentioned early in the second half of the brief, ours is an impressionistic account of events in an area that is extremely sensitive and difficult to interpret. Our sources of information have been primarily the dialogue which we have had with West Indians both formally and informally, West Indians at the government level, in various political parties, the academics, the so-called student radicals, teachers, etc., people with whom we have day-to-day contact and, we hope, some credibility. We also rely on the news media, some samples of which we have brought today, both popular and underground for information about how the public interprets events and relationships which affect the economic and political development of the area.

We do hope, honourable senators, that we can provide you with sufficient back-up and auxiliary information to indicate to you a situation which is somewhat serious now and promises to get more so.

The Chairman: Thank you very much, Mr. Sallery.

Before turning to the questioning, I would like to comment briefly on your last remarks. I think we will all agree that in no way ought you to feel concerned about your brief as it relates to previous briefs. As I said at the

outset, I personally, and I have heard the same from several others, am delighted by its candour. We are extremely pleased that you have put this in writing and, I might add, extremely pleased to hear that you have brought with you material which, while it is not all-encompassing, does in effect support your position. We also appreciate that what you are presenting to us this morning are opinions only. On the other hand, we are not presumptuous enough to think that these opinions are based only on your own thinking because you have been there on the ground, so to speak.

Thank you very much, gentlemen, for your very brief introduction. Now we will come to the questioning period. Senator Cameron?

Senator Cameron: Mr. Chairman, first of all I support what you have said and compliment the three speakers who have in a very brief and concise form given us a summary of their brief. Would that all the people who have appeared before us had the same brevity and clarity.

Secondly, let me say at the outset that this is one case where the idealism of young people is finding its expression in the international realm, involving credit to the young people themselves and bringing credit to Canada. The history of CUSO is a most interesting contrast to some other agencies dealing with young people which I shall not mention. The very fact that there is such a difference in approach, is not, in my view, without great significance.

The very fact that we have so many young people who are not only taking this means to express their idealism in a practical manner, but are doing it in a spirit of service contains in my view, a possible source of danger for this whole program. As I see it, there are three major concerns involved in the contemplation of this program. The first is the role of CUSO in education—the selection of teachers, how they are fitted into the local program and the results obtained.

Secondly, the question that you have referred to and which is elaboration, and I am glad it is there—the growing hostility on the part of certain sections of the population. This is something which some of us who have been there have witnessed ourselves.

Third, and probably the most difficult of all, is how does this program fit in to the conflict of interest between the domestic and

primary producers and the foreign-dominated extractive and exporting industries? This is a very tough problem. We will come back to that. I think these are our three major areas of concern.

Now on the question of the role in education, I would like to know, and I am sure my colleagues would like to know, what is your selection procedure for the volunteers? Who makes the final decision? Is it a committee? And what are the qualifications of the committee in making the selection? For example, you mention a teacher in a secondary school and a teacher in a "line school position". I would like you to define that; I am familiar with the term as used in the business world, but not as you use it. It is the first time I have seen it used in this connection. I assume it is an elementary program.

Then I am very concerned about young people of 24 years of age regardless of how brilliant they may be carrying out feasibility studies involving all the conflicts of an economic world that is pretty hard-boiled and tough.

That will do for a start. Who makes the selection of the teachers?

Father Gardiner: To begin with, most of the teachers are recruited at the universities; some are recruited after they go into teaching. There is a local committee at each of the universities, and that person is recruited and goes through a selection committee. There are a number of interviewers on the selection committee who try to assess whether this person is able to fit into the overseas scheme.

Briefly, after this person is accepted by the local committee, there is a national selection committee in Ottawa and a dossier with a number of references from the teachers, schools and other people is placed before it. It is reviewed by a national selection committee, mostly people with overseas experience. After the person is selected in Ottawa, then the real placement takes place.

I think we want to get into who ultimately decides whether this person is going overseas or if he is acceptable. After he passes Ottawa, he comes to the West Indies...we will take the Caribbean...and the ultimate decision rests with the government, the education departments of the governments in the West Indies. It goes through me and my field officers, and we try, with the information we have, to assess whether this person can work

in the West Indies. If we do select this person, then it is presented to a ministry and they decide whether they want him. They may tell us that at a secondary school, they want a math teacher with certain qualifications, and after the process has been gone through we present this candidate and they accept him or do not. The ultimate decision lies with them and their requests are very specific. Even if he is selected by us, he goes through an orientation program of five weeks, before actually being placed, which is designed to prepare this person for work in the overseas country. We have West Indian staff, returned volunteers, and it would take the best part of an hour to give you the orientation. However, basically this is how it is done. It is presented to the ministry and they decide whether to take him, and if they do, he is then placed.

Senator Cameron: What are the criteria that the selection committee uses?

Father Gardiner: For one thing, we look for emotional stability, how he gets along on the Canadian scene and in university; his academic qualifications and flexibility, and some idea of his knowledge of development, of what he is getting into in another country. Basically, we would look for maturity, academic qualifications...and it is so long since I have been on a selection committee that I am forgetting the various criteria.

Mr. Sallery: The first priority is skill. If they have the specific skill we are looking for, we know they are most likely placeable. That is the first criterion. Then there are things like emotional stability and medical factors which play a very important role.

Mr. Bogdasavich: Sometimes it is easier to say the things we are not looking for. When we talk about stability and maturity, we have discovered over the years, in the Caribbean area and elsewhere, that social activists, in a certain sense of the term, are not welcomed abroad. Overseas governments have serious political problems but, by and large, they prefer, in the final analysis, to resolve their problems themselves, to the degree it is their responsibility to do so. So a social activist, in the immature sense, would be excluded from our selection procedures and, as a result, CUSO is sometimes called an Establishment organization by certain people in Canada, but this is the overwhelming direction from overseas governments in the Caribbean and elsewhere.

Senator Cameron: You are saying, in effect, that they have enough of their own activists?

Mr. Bogdasavich: Yes.

Senator Cameron: The reason I referred to your selection committee was that in Clyde Sanger's book *Half a Loaf* quite a number of people who had been selected did not make the grade—a rather high percentage, after they had gone down there, in spite of the criteria. I can understand that you get a number of cases, but do you think the percentage is inordinately high?

Mr. Bogdasavich: I will try to answer the question, in part. In the year 1968, that 12-month period, the attrition rate for the program overall was 5 per cent. We regard that as very good. Other programs have attrition rates that go as high as 15 per cent, and even higher. So, we regard that as very good.

In the fiscal year, the 12-month period, 1969 the overall percentage was about 9 per cent, which we regard as being, for us, extraordinarily high. However, it compares favourably with most programs. The average attrition rate in programs like ours, in other countries, runs from 8 to 11 per cent, so we would not regard it as inordinately high.

A certain percentage return for medical reasons, personal problems with health. A few others have to return because of family problems, death in the family, and so on.

We are not absolutely certain, but we think that possibly only as much as 30 per cent of our attrition rate is due to bad placement or bad selection, in the usual sense of the term.

Senator Grosart: Does this include recalls?

Mr. Bogdasavich: Yes, this includes recalls; this would be our total attrition rate.

Senator Cameron: I am glad you have given that explanation, because from this other information the impression was left it was a much higher percentage, and I think 5 per cent is very good.

You say the local authorities assign the individual. He is going to be a math teacher, we will say, and is assigned to teach in a school. Is it for a regular academic term or is he fitted in at any time, and for how long?

Father Gardiner: This is for a two-year period and it starts in September in the Caribbean. It must be the complete academic year, for two years.

Senator Cameron: And, in the main, there is little change, the majority of them are completing their assignments?

Father Gardiner: Right.

Senator Cameron: Then there is the question of salary, and you have used a term "counterpart salary". I would like you to define it, because this is not the only area in which Canadian agencies are concerned with paying people a salary or are concerned with the problem of Canadian salary versus local salary. How do you handle it?

Father Gardiner: When we refer to a counterpart salary, a teacher with a B.A. degree on one of the islands receives the same salary as a West Indian with the same qualifications.

Senator Cameron: What would that be in Jamaica, for example?

Father Gardiner: Let me take another island. In Trinidad it is \$465 B.W.I., with qualifications. Now with, say, five years' experience, the increments go up, but a degree is \$465 B.W.I.

Senator Cameron: And is any sum held to his credit in Canada?

Father Gardiner: No.

Senator Cameron: In other words, this is the total salary. This is a pretty good example of what the young people are doing in terms of giving service.

Father Gardiner: Yes, and I might add that the cost of living is going up in some of the islands.

Senator Cameron: Does he pay his living costs out of his salary?

Father Gardiner: He pays his room, his board, his travel, and his clothing. This is what he gets. He pays for everything.

Mr. Sallery: And he pays for his own travel. We pay his expenses down to the Caribbean and back, but if he wants to travel within the islands then that is his responsibility.

Senator Cameron: And this is all included in the \$2,031 that you mentioned as the average?

Mr. Bogdasavich: That excludes, however, senator, his monthly salary.

Senator Cameron: That is overhead. That is an administrative expense?

Mr. Bogdasavich: That is right.

Father Gardiner: The salary is paid by the Government.

Senator Grosart: What would the average be in Canadian dollars across the island? Give us an estimate.

Father Gardiner: Approximately \$(Can.) 2,100.

Senator Cameron: A year?

Father Gardiner: Yes.

Senator Cameron: I think it is important that we know this. By the way, I have faced a similar problem to this in sending one or two Canadian teachers to England, for example, to be employed there. When I said that they would have to pay about \$15,000 a year for this particular type of teacher they were horrified because a similar type of person in Britain would be getting \$7,500 or \$8,000. The device we used there was to hold the extra pay back to the teacher's credit in Canada. These were all mature people, and they had insurance to keep up, houses to pay for, and so on, and you could not expect them to go there for that money. I think it is important that you let people know that this is the total income that the volunteers have in this area.

I think it would be true to say that the great percentage of those employed are teachers, or are in the teaching profession. Appendix II at the back of the brief shows that there have been 268 teachers out of a total of 378 since the program began in the Caribbean. The next largest group consisted of nurses, and Y.M.C.A. and Y.W.C.A. workers. The numbers in other areas of endeavour are almost negligible. For example, there has been one dental technician, one dietitian, and so on. Have you any suggestions to make in the light of the need for medical personnel, for example, nursing personnel, and dental personnel. I think you state somewhere that there is one dentist for 20,000 people.

Father Gardiner: That is right.

Senator Cameron: Do you see any prospect of getting more of our people to take assignments in these professional fields?

Father Gardiner: When I visited the governments or the ministries this was one of their concerns in respect to Canada. They felt that we are not doing enough in the medical field; that we are mostly in teaching and in supplying technicians. In respect of agriculture and medicine there is concern amongst

the government people. They feel that we can do a lot more on the medical side.

Senator Cameron: It would be true to say, would it not, that they are exporting a large percentage of their people who are in the teaching and nursing professions, and also many laboratory technicians. How can you correct that? What steps can be taken to retain these people in their own countries. Obviously CUSO does not fit in there, and this is a major problem. Is it a problem of foreign aid, or is it much more a problem of the establishment of different priorities by the local governments?

Mr. Sallery: May I speak about that? I think it is a problem caused by both that and the policies of the Canadian Government. Universities and business go out there and actively solicit for trained personnel in the Caribbean area. This is quite common. I think you are all aware of the signs that say "Come to Canada", and so on. One of the difficulties we have with some of the governments is that they are beginning to offer more money to the expatriate personnel to go to different islands than they are to their own people, and our own philosophy as to salaries does not fit in with this. If they are prepared to offer for example £900 for an expatriate, and £600 for a local person, then obviously they are not going to keep their own people. All we can do is to make a note of that fact, and not place our people in that area.

But, in some cases, we are competing with locally trained personnel. We have been accused on several occasions of supplying cheap labour. The Jamaican Teachers' Federation for example is having difficulty in getting salaries raised because it is very easy for the government at the moment to get teachers from V.S.O., CUSO, and lots of other sources. This is one of the concerns we have about teacher placements, and medical placements.

Senator Cameron: But the number of teachers supplied by CUSO is relatively small that they would not have much effect upon the salary scale of the country.

Mr. Sallery: It does not, but if you are looking for something to put your finger on there is the fact that the Jamaican reaction is to look at the expatriate groups and say: "You are really undermining our position by being available at much cheaper rates." The Peace Corps, for example, senator, does not cost the government anything and it is quite willing to accept the Peace Corps.

Mr. Bogdasavich: The problem is much broader than that, of course, and a great deal of the onus must be placed upon the governments of those countries. They have got to establish the political will, if you like, or a nation-building concept, that will make their own people rather proud to stay and work in their own country. The North American influence in the West Indies has the tendency of luring the local people away. I know it is very difficult, but much of the responsibility for that must lie with the governments of those countries.

On the other hand, if we make it very attractive and very easy for some of their professional people to leave that part of the world and go to other regions, then that is not helping the situation very much either. This is a very sensitive question, of which I am sure you are all much more aware than I, because it does involve things like immigration, and it raises many other questions.

There is a great deal of looting of personnel in the Caribbean area done by North American hospitals at the present time. Father Gardiner mentioned to me just before we came up that a very large American hospital sent a recruiting team down there, and it was offering high pay and using lots of advertising to attract nurses out of the region. Surely that kind of thing has got to cease. We in North America have got to be aware that we ought not to be making attractive offers to their people.

Senator Cameron: Do you think that this feeling has something to do with the growing hostility to which you refer in your brief?

Mr. Bogdasavich: It is very possible. Much of this hostility is the result of the division between the two economies, as I have said. Perhaps if there was not such a sharp contrast between each of these countries many of the people would stay at home and work on their development programs. There is the requirement for a certain psychology that seems to be lacking.

Senator Cameron: Do you have a feeling that there is a growing sense of nationalism in these countries that may lead to changes? I am thinking of Jamaica, for example.

Mr. Bogdasavich: Yes, I would say that there is no question about that.

Father Gardiner: I would say that there is, and I would point to Guyana as an example.

They are persuading many of their younger professional people to stay. If you look through many of their departments you see a lot of young, bright men and women who are staying and are dedicated to the country. There is still a flow there to North America, but they are persuading more to stay now. There seems to be an impression or a hope there that the place is growing and the people are involved in the growth. In some of the smaller islands you may not get this. In Jamaica there is great concern on the part of the government about the brain drain. From a practical point of view they do not see how they are going to stop it. They need more training centres. Manpower projections are that they have to allow 12,000 or 15,000 people to leave each year and a corresponding number of skilled people are included in that figure.

Senator Cameron: I am still asking with regard to education, although I would love to get into the other area.

The Chairman: Perhaps we can come back to it.

Senator Cameron: I do not see much reference to training people in the elements of business administration. I suspect that in a country with a relatively low standard of education this would be a profitable investment. There is no reference in your brief to even providing an elementary program of education in bookkeeping, accounting, secretarial services and so on. I am sure they have some, but do you see a role in which either CIDA or CUSO might be able to make a real impact in this particular area in order to assist people to help themselves?

Father Gardiner: It is pointed out in the brief that the shift of emphasis now, particularly in the eastern Caribbean and Guyana, is on the technical side. We also get many requests for science and mathematics teachers. Most of you know about the seven technical colleges that are to be built in the smaller islands by the British. They need 77 staff, which somebody has to supply.

We can see a shift in the emphasis in education, which was classical and British. It is now shifting to technical. I was in Guyana when they started building the new multilateral schools. It was hard to discover just what difference they would make. A multilateral school is three track instead of the regular secondary or comprehensive school. There is a grammar track and a technical track. Then

there is the third track, where students who do not pass examinations are trained as well as possible in some skill. Then if they are capable to do so they may take their examinations and continue in another stream. It is a very interesting set up, which should change the system in Guyana. Many craftsmen and technicians will be trained. There will be one school, but three complete tracks going on at the same time. Technical and agricultural training, the engineering department starting now at the university and the technical school in New Amsterdam are changing the whole system and developing people to work in their own country. You will find this change of emphasis throughout.

Senator Carter: That, of course, is an old system which has worked very well in the Scandinavian countries and Germany.

I did not see any mention in your brief of the necessary facilities. For example, there have been appeals on the radio and in the press with regard to the almost shocking need for textbooks and library books. What is the position with regard to having tools to work with of a mathematician or physicist entering a secondary school?

Father Gardiner: This is a big problem for us, even in placing people. It is probably a problem also for other agencies. They do not have the facilities. Many of the locations have neither libraries nor laboratory facilities. We are placing teachers in schools where an extra few thousand dollars for equipment may be more effective. There is a need for books, but sometimes not the type of books they are receiving from other countries, who at times seem to be getting rid of them. They could document their needs quite easily. I could do it for one island; I am dealing with ten islands.

Senator Cameron: Are textbooks which are geared to the milieu in which they are going to be used published for use in the schools there?

Father Gardiner: A conference was held in one of the universities this year in an endeavour to develop a West Indian curriculum. One of our CUSO personnel was mentioned in the newspapers in Guyana in connection with her talk regarding the development of a curriculum related to West Indian literature, in which she was very competent. Following this a seminar was held to discuss this very question. This indicates that there is now a concern which has result-

ed in a study which is now in process with regard to a curriculum for West Indian literature and history.

This development has changed our placement procedure. We do not feel that we should place history teachers in the West Indies, nor English teachers in some of the areas, at this time.

Senator Cameron: Mr. Chairman, I do not want to monopolize the time. I would be very interested in the area of the hostility and what could be done about it, but I will leave that to my colleagues.

The Chairman: I have received notice from Senator Grosart and Senator Carter that they wish to ask questions, but before I call on Senator Grosart, Mr. Bogdasavich wishes to comment on the general field of your questions.

Mr. Bogdasavich: With specific reference to your question relating to administration techniques and the teaching of them, we have had one additional problem in most areas of the world. The recipient countries are very much more familiar with British standards. They did not understand that Canadians were qualified to teach business and commercial technicians and business administration technicians. As a result of this situation, CUSO produced a handbook, which I will leave with the chairman.

The Chairman: We will produce a number of copies for distribution.

Mr. Bogdasavich: The handbook has been made available to all recipient countries overseas. It is entitled *Canadian Graduates—Their Qualifications and the Jobs They Do*. We have outlined the curriculum they are taught in our schools and what we regard them as being capable of doing on graduation in Canada. It is not totally comprehensive, but it lists about 30 fields, including business and commercial technicians and business administration technicians. We now receive more requests for teachers trained in these subjects.

Senator Cameron: In the light of your experience, do you think that this is a viable area for development? My own opinion is that it is, but I may be wrong and would like to know.

Mr. Bogdasavich: There is no question about it.

Senator Grosart: I add my congratulations to the authors of the brief. I may say that Part II corresponds with the kind of reaction I have had in the Caribbean, and I am as concerned as the authors of the brief are over the situation.

My first question is this. Anybody who attempts to do anything about this, or even this committee commenting or making recommendations based on it, would naturally look for some evidence, some proof. I am not going to ask if you have the proof, because that is not your job, but do you know if such proof exists, proof that we are taking out more than we are putting in, if we are?

Mr. Sallery: We mention in the report that we think it is a tragedy that there is in Canada no indication of the extent or the direction of private Canadian investment in the Caribbean. If we did we might be able to answer the question. The impression of many West Indians, rightly or wrongly, is that they are.

Senator Grosart: Do you know of any existing studies on this?

Mr. Sallery: Yes, there have been several produced from the Centre of Developing Area Studies at McGill University. The conclusion as to the net balance of trade, deficit and so on is that the Caribbean countries are losing money.

Senator Grosart: I think I know the documents you refer to. However, these again are more or less like your brief; they generalize. Again here I want the figures. Are they available?

Mr. Bogdasavich: The only quotation I have ever seen is from a series of publications that I would not put in evidence because I cannot verify their authenticity. However, I have seen a global figure for the period 1956-66 in terms of the investment from western countries in the developing world, the total capital investment in Europe and North America, and the return on investment. The percentages I saw, which I cannot verify here, were 89 per cent return on capital investment by people in the western countries, the so-called developed countries, and 263 per cent return on capital investment in the developing countries. I wish I could establish that that statistic has been properly arrived at, but I cannot.

Senator Grosart: This would be over a ten-year period?

Mr. Bogdasavich: Right.

Senator Grosart: That is 26 per cent a year then. Would you think in general that might be applicable to Canadian investment in the Caribbean? It is a hard question, so skip it if you like.

Mr. Bogdasavich: The only thing I can say is, if it is not I think someone has a responsibility very early on, from perhaps the private sector, to make clear what the real position is, because the impression is certainly that large percentages of profit are coming back.

The Chairman: Senator Grosart, I do not think they have skipped the answer to your question, and I am very pleased to have their impression on the record. However, I think it should be made clear that it is only an impression.

Senator Grosart: Of course, it becomes a problem for this committee. As you are aware, we have been asking this question and we are trying very hard to find some answers. Take it from the other side. How should a Canadian company behave in the Caribbean in relating its reinvestment to the money it sends out of the country? You have heard these criticisms. What should these companies do, the banks, the Canadian extractive giants?

Mr. Sallery: I have had dialogue, both formally and informally, respecting a township in the case of Alcan, concerning financing things like waterworks and water systems in the town itself, more educational facilities, and these things have been turned down, so I have been told. The town council have asked for money from Alcan. In talking to Alcan, they say they have done a considerable amount, that they have created a small middle-class environment of 400 families, which essentially acts as a buffer zone for the tremendous number of people who live in utter poverty. One can see that there are at least 400 black families who can make it, but it is a question of strategy.

Senator Grosart: There are two answers to that. First, any corporation doing business in Canada has exactly the same problem with municipalities. Secondly, the donee countries say that is fine, but it is their resources that have created it, plus the capital of the corporations; that the corporations are doing it with the countries' resources, but if they had not done it somebody else would have. Do you think it is possible for Canada somehow to assist in the creation of big domestic industries in the Caribbean?

Mr. Bogdasavich: I certainly think it is possible that Canada can assist in the creation of big industries in the sense that we have the capital that could be made available, and certainly have the know-how that could be made available. The major question would be what the characteristics of large industry ought to be in a so-called developing country. It is possible that the kind of salaries we would pay there are far too high for the region itself. That is to say, probably we should not pay a Canadian salary to people working in the Caribbean. That sounds very strange, but it may be what has to be done. The money that might otherwise be called a profit in our country could be reinvested by private enterprise. The money saved by not paying these high salaries, which would create a small group in the area earning more than the rest of the people, ought to be made available in a more flexible way for government programs and development planning in the region, which may be in the social sector, education and so on, which are very vital if they are to close the gap between the two groups.

What is really required, I think, is a sound understanding by private investors of what development planning really means, how crucial the difficulties are between these two separate economies in any given region. Our people ought to be thoroughly familiar with this problem and try to determine ways of developing industry without creating what some people have called a middle-class. For a very long period of time the thesis in the West has been, "This is a good way to develop. It is the way we developed."

Senator Grosart: This is Barbara Ward.

Mr. Bogdasavich: I believe it to be an extremely dangerous hypothesis to put forward in developing countries. I can only give you an example from travelling in many parts of the world. I have been in East Africa, and I believe this may be one of the factors that creates tremendous social tensions. I cannot give a specific example in the Caribbean, but I know the kinds of problems this can create. In Zambia the salaries paid to people working in the privately owned copper mines were 15, 20 and 30 times what most of the rest of the population were earning. Although the companies did this in good faith and said that we do not want to exploit your people, we will pay these kinds of salaries in our own country. In fact, these high salaries should never have been paid. Much of the

profit that was made, instead of going into that kind of thing, should have been made available to the government of the country to budget for development plans.

Senator Macnaughton: It was the responsibility of the government of that country?

Mr. Bogdasavich: Yes, but when they are dealing with large multinational corporations they have more difficulties than we have in our own country, trying to establish the ground rules they have required.

Senator Macnaughton: I think some have done pretty well.

Mr. Bogdasavich: I agree that we ought not to be worried too much when they make these efforts.

The Chairman: I do not wish to interrupt, but I would draw the attention of the committee to the brief on page 26, starting at the underlined portion to the end of that paragraph on page 27, which does, in effect, make this point very clearly. I wonder, Mr. Bogdasavich, if you want to have this read into the record, or do you feel your answer is now sufficient?

Mr. Bogdasavich: I would ask perhaps that Mr. Sallery read this into the record.

The Chairman: Would you be good enough to do that? Would that be agreeable to you, Senator Grosart?

Senator Grosart: Oh, yes.

Mr. Sallery:

...For the business community being a "good corporate citizen" and paying taxes...even if this is all the government has demanded...is not enough. Canadians, including private corporations, must get involved in more positive kinds of developmental activities rather than maintaining the real or imagined exclusiveness of the Caribbean being a Canadian economic club. The antagonisms which are growing, whether in Black Power groups or academic radicals is not directed either immediately or ultimately, it seems to us, at the expulsion of all whites, or all Canadian business. What it is aimed at is the obtaining of control of one's own assets and economic affairs and reversing the exploitative trends which have occurred over the last two centuries and for some it includes the post independent era in which Canada has become more deeply involved.

The Chairman: Thank you, Mr. Sallery.

Senator Grosart: I was just going to come to that very point. Are these governments doing enough to legislate guidelines for good corporate citizenship by foreign corporations?

Mr. Sallery: I think it is very difficult for us to comment on the effectiveness of the value of what a particular government is doing. I would rather not attempt to answer that question.

Senator Grosart: Do you know of any specific examples, in your own experience, where governments are setting guidelines?

Mr. Bogdasavich: In the Caribbean area?

Senator Grosart: Yes. The Alcan in Jamaica is an example, such as the freedom of the beaches. These are the kinds of examples that I am thinking of. You must have run across them.

Father Gardiner: To get away from Alcan, in Barbados with the tourist industry they are starting to set up a plan. I met with the economic adviser and they are setting up a plan now for more government participation in this industry, and they are setting out guidelines. I have not seen the plans yet, but they are recognizing the good effects of tourism as well as other effects and are trying to get more participation and control over certain elements in the tourist trade. I think the same has happened in Trinidad. With the new Republic of Guyana there are guidelines being set down in certain facets of business. We only have to read our papers during the last number of days to note that certain things are happening in Guyana.

Mr. Sallery: I would like to read one example. Mr. Burnham, President of Guyana, recently said:

We find that too few people still have too much economic power in this country which they use indiscriminately for the furthering of their own group interests, to the neglect of the rest of the population.

I understand there are moves being made now to put some sort of limitation on this kind of thing but I will cite another example. Dr. Aubrey Phillips, the acting head of the Department of Education at the University of West Indies said:

Jamaica is now the world's largest supplier of bauxite. The buying of small-holder's land by the U.S. and Canadian

companies has restored the old status quo: "the sources of wealth are white and foreign, the sources of labour are local and black. We are back to slavery. The ownership of the land and the structure of the society has not changed, and those who have the land are not going to give it up. I don't hold with violence, but I don't think it can be achieved without it."

Senator Grosart: Who was the author of that?

Mr. Sallery: Dr. Aubrey Phillips, the acting head of the Department of Education at U.W.I.

The Chairman: In the interest of the proceedings, Mr. Sallery, would you be good enough to give that to the reporter so that he has the record accurate, as well as its source?

Senator Grosart: The reason I ask these questions, of course, is that I think most Canadians would agree that if we had tackled this problem 50 or 60 years ago we would not be having the same problems that these countries are experiencing in terms of foreign domination. We did not set the guidelines. Generally, we regret it because it would have been much easier to set them in the earlier days than to set them now. We might, for example, have insisted on equity participation by local capital or by governments, but we have not done this. Sweden has accomplished this and very effectively.

Senator Macnaughton: Mexico has also.

Senator Grosart: Let me use the industrial problem as an example of what we are facing in this committee. On the one hand, most of us are very concerned that we are going to wind up with the same accusation that you hear of the British, that it does not matter much what they put in when compared with what they took out over the years. Is Canada going to get into this position? On the other hand, what are you going to say to a firm when it tells you: We have to make a profit on every operation and assume many risks? We have to pay dividends, even if our shareholders are not in the country where the company is located. I would like your opinion on that and the policy of these governments. Why are they not moving faster to say: "These are the ground rules if you are going to do business here".

Mr. Sallery: As to why governments are not doing this, there are a lot of reasons which have been given on previous occasions.

One is that to do so may require high economic costs, that is to nationalize or to attempt to renegotiate contracts with existing companies. This may cost them a lot of money and secondly, there are groups as Frank mentioned, who are in the middle class or upper echelon, making extreme profits. These are local people and they are not always willing to have the base of the contract changed.

Mr. Bogdasavich: In part, the responsibility for making these ground rules must lie with their people and I could not agree more. The pressures which we could bring to bear in order to make it difficult for them to take the action required, in many instances, is what is delaying those changes being put down. When we made our initial remarks today we did say that we are not experts in economics or in that field. Nevertheless there are really two kinds of economic planning. One is usually referred to as anticyclical planning, the kind of planning we do in our country. It assumes that your basic social political institutions are going to remain stable, land reform is not a serious problem, and you have a rather large indigenous private sector and you operate against an annual budget. This is your guideline. Your government sets out the annual budget and everyone from every sector has to pay some attention to it. This is anti-cyclical planning. It will not work in most of the developing countries though that is the kind of economics that we know and are used to at home.

The other kind of planning is development planning. It assumes, for one thing, that major changes in the social and political spheres will probably have to be made in that country, as they proceed to do this kind of planning; what is required on our part is not to become terribly concerned about ideology, this preoccupation has been a tragedy; too much ideology jargon.

Senator Grosart: From where, from what side?

Mr. Bogdasavich: From both, from all sides. What we have had to do is really understand why they are making the changes they are making now. We cannot give the statistics, but an examination of OECD reports show that in the aid field very little of the aid money from most Western donors has gone to co-operatives, community projects, very very little, because we do not think of their signifi-

cance in our own development process to the same degree; with the same priority. It becomes a major concern on our part, if we see overseas governments laying out very extensive government programs in these areas and we have not given very much aid to many of these projects.

I do not want to be technical about the co-operatives. There are good co-operatives and bad co-operatives, and they all have their limitations. But I think you get the gist of what I am saying today.

In the field of development planning, no one knows how to do it very well—including the Russians, who have been trying five-year plans for 20 years—and they will admit they do not know very well, senators. I spent a brief time in Cuba last fall and met a senior Cuban economist who had just spent the last ten days, prior to my visit, talking to a Keynesian economist in the United States. We can all learn from each other.

Senator Grosart: Are there some left?

Mr. Bogdasavich: There are, and he was not talking ideology to him, he was talking about planning, development planning, and it is in this respect we all have to look. If I were to become involved in trying to develop a development policy for this country, I would make a great effort to learn a great deal about development planning.

The Chairman: I do agree with Senator Grosart and I agree that this is critical and fundamental. I would like to depart from the usual procedure and I would like to ask if there are supplementary questions on this point, that relate to this subject.

Senator Grosart: Could I carry on, to finish the particular train of questioning I had. You mentioned East Africa. Can you suggest any reason as to why the pattern in respect of this question has been so different in the African countries than in the Caribbean? You know what I am referring to. I am not saying that I think the African answer—the take-over, the nationalization, the treatment of East Indians in African countries—is one I approve of. But why is there such a vast difference between the approach in the Caribbean countries and the African countries?

Mr. Bogdasavich: There are many factors on this question of viability, national viability as a nation. There are many smaller islands in the Caribbean, for example, where it is

rather difficult. Anyone would be stumped to know exactly what to do developmentally in these smaller islands in the Caribbean. It is far more difficult for them to establish regional trade grouping, and so on.

Senator Grosart: Excuse me, but a country like Jamaica is economically much more advanced than some of the African countries I am referring to.

Mr. Bogdasavich: It may be advanced...

Senator Grosart: Economically, per capita income, the GNP.

Mr. Bogdasavich: The tourist trade has given very big development in the Caribbean area and I think they rely on it substantially in many of the operations of that region for their per capita income, in the African regions, in Central Africa and East Africa. For one thing, there is a much stronger feeling of their Africanness, their Zambianness, their Tanzanianness. In our report we mention that only now is there emerging in the West Indies a sense of real unity, a sense of being West Indian and not being Jamaican or Trinidadian. I think it is that kind of psychological mentality that in part explains the difference.

The Chairman: I would like to come back to you, Senator Grosart, but I would ask first if there are supplementary questions on this point.

Senator Macnaughton: You mention that little aid has been given to the co-operative movement. Perhaps I do not understand it. Perhaps it is in force. I do not know. What is the use in donating large sums of money to a co-operative effort, if the people at the other end do not know how to use it, if they are not organized? Giving the aid to municipalities, these little tiny hamlets—what would happen tomorrow if they got it? How would they use it?

Mr. Bogdasavich: It would probably be wasted. It is necessary that there be a fairly well thought out program.

Senator Macnaughton: Where does that come from?

Mr. Bogdasavich: It must come from them, their terms. There must be a clear priority in the minds of the government of the country that is asking you for money for this kind of thing. I could not deny that this is an absolute prerequisite.

However, very often the co-operative plans which are put forward are put forward by North Americans or Europeans and they may not be at all suitable to that region. I will give you a specific example and here I have to operate from an African example but I am sure you can find relevant comparisons in the West Indies.

The co-operatives in Tanzania were set up initially by the Western Europeans and we assumed that the head male of each earning family ought to be earmarked as the member of the co-operative. It did not dawn on any of us that it is the women who do the farming in Africa, and they were not specifically included in the co-operative. Out of that you could be into a situation where you are not going to get very much for your money. I think there is a need for a great deal of study and careful preparation of co-operative programs but they warrant our support.

Senator Grosart: I do not know how you missed that female influence if you lived in Canada.

Senator Cameron: Is it true that those countries have been sending people to St. Francis Xavier University to study co-operative development?

Father Gardiner: Yes, they have.

Senator Cameron: Have you any idea how many?

Father Gardiner: No, I have not.

Senator Cameron: This is probably one of the most successful examples of co-operative development in the world.

Mr. Sallery: There are some reports forthcoming on various attempts to establish co-operatives. Co-operative programs on banking, agriculture and so on—I believe they have done much to provide training on a world approach instead of a community approach, a national one which may be a more viable way of approaching it and a better way of doing it. I have several quotations that relate to this, and also requests for assistance in this area.

Senator Cameron: I remember being in the Blue Mountain area in Jamaica and I looked at a number of co-operative housing developments built in that area, and they were certainly a vast improvement over what they were replacing. I would think that in itself would sell the idea.

The Chairman: Staying with the subject of development planning, I come back to Senator Macnaughton, or are there other supplementary questions?

Senator Macnaughton: I was trying to make the point, and the learned witness agreed, I think, that we all want better assistance and better methods, and so on; but these things require money, education, a proper attitude, and skill. Later on I would like to get into the gritty part of some of the generalizations and see what, as a result of your experience, you would positively suggest.

The Chairman: Are there any other questions relating to this planning phase? If not, I have noticed Senator Macnaughton and Senator Carter would like to address a series of questions—and then I will come back to you. At this time I would also acknowledge anyone else who has a line of questioning.

Senator Cameron: Suppose we do not get into this planning field very soon, and I am speaking now of the local governments, is there a danger of nationalization being looked upon as a way out on the part of many of these people?

Mr. Bogdasavich: Unquestionably. I don't think any of the witnesses would feel that it was not. But we have been making statements directed a great deal towards the private sector, and I would not like us to deal with just them. There are other problems. For example, our notions of labour unions and how they ought to operate in our societies equally create some problems, if you don't think developmentally. For example, if you have a country where the total population is seven million people and of that population there are only 600,000 who earn a salary; who are in a money economy at all, and if they are broken up into trade unions and are trained in our country by trade union members who teach them, among other things, the device of the strike for higher salary, and, if the people in that country, those 600,000 employees, continue to strike, they are already a small middle-class in that country and they are increasing the gap between the rich and the poor within the region. So, if you are thinking developmentally, which is what I am trying to suggest must be done, then it applies to all of us in every sector and I would not like to indicate that it is only the private sector that is creating problems. It is all of us.

Senator Grosart: Is the reason for your counterpart salary system the fact that you are operating to some extent under CIDA, and, therefore, tied aid?

Mr. Bogdasavich: Do you mean the reason why we asked the governments overseas to pay the salaries, senator?

Senator Grosart: Is this related to the tied aid requirement of our external aid?

Mr. Bogdasavich: The direct answer to that is no. It is partly because of a philosophy of our program, which we are presently questioning, but we have felt that countries overseas who know they will have to pay some of their own hard-earned money for our people will in many instances, where their own planning is not very good, take a little special effort before they ask for one of our people, if it is costing money. So they utilize our people more carefully and probably this is a clear indication that they need our people or they would not be asking for them.

As I say, we are questioning that, but that has been the background reason for this salary arrangement, and it is not a requirement on the part of CIDA as such.

Senator Grosart: Is the tying of aid a major cause of the unfavourable response to our whole aid program?

Mr. Sallery: I would not say it is a major cause, senator. It is one of the causes, and it has been mentioned many times to both Harold Gardiner and myself at the government level and at the private level.

Senator Carter: Mr. Chairman, I should like to join with the other senators who have congratulated the witnesses on their brief. I think it is the most useful brief we have had to date because while they have emphasized that they have put down mainly what they call impressions, I think taken in the context of the brief as a whole there is a convincing validity about these impressions; at the same time they are raising the problems not only of the Caribbean area but of all developing countries. So, if we can get our teeth into this, I think we are coming to grips with the real problem of developing countries.

I should like to go back to Senator Cameron's early questions about the selection of workers, because I detect a sort of note of pessimism, I would call it, in your brief as to whether you are really sure that so far as the

Caribbean is concerned CUSO has any great future there.

My first question, coming back to the selection of workers and the orientation courses you give them, is what is your percentage of rejects? Is your method of orientation and screening out very effective?

Father Gardiner: I would answer that the screening process and orientation is not completely effective. It has improved. Last year we brought before our Board the idea of having more deselection during the orientation program, and we do review orientation every week. Every week, the whole staff, goes over the personnel and we try to make a detailed assessment. In this way, within a given period, we have some deselection, but, as I have indicated, we need more improvement because it is not completely effective yet.

Senator Carter: Can you give a percentage of rejections? Would it be 5 or 10 per cent?

Father Gardiner: No, we do not reject nearly that many. Of our program of 59 last year we rejected one person.

Senator Grosart: Is that of all applicants?

Mr. Bogdasavich: No, that is the Caribbean only.

The Chairman: The question was intended to be general, not merely with respect to the Caribbean.

Senator Grosart: Yes, could you relate this to the original applications—to all applicants?

Mr. Bogdasavich: I think I can, although I do not have the statistics in front of me. There are those in the room who can correct me if I am wrong, however. We received approximately 1,000 or 1,100 applications in the last year. Of those we selected approximately 600. The others we rejected. When I say approximately 1,100, I mean firm, completed applications. We get many inquiries during the height of our recruitment year. We may get 100 a week. But many of those get a simple, standard form letter back from us saying, "Please do not bother to fill in an application..." for many reasons, the most common being lack of qualifications.

In the fiscal year 1968-69, if memory serves me right, we had approximately 3,000 inquiries leading to approximately 900 firm applications of which we accepted only a little over 500.

Senator Carter: After you have made your total selections of workers for the year, do you then have a high percentage of drop-outs? I understand they sign up for two years; how many drop out before that term is up, or even before six months is up?

Mr. Bogdasavich: I believe I indicated that 5 per cent dropped out for 1968-69 and that for what will be 1969-70, the year ending March 31, 9 per cent will have dropped out. We have, senator, just completed in our offices an exhaustive analysis of this question; and that brief only arrived on my desk three or four days ago. It goes into great details as to why they drop out. Sometimes it is for medical reasons and so forth. Recommendations will be made from this to try to bring down the rate of drop-outs. I mentioned earlier this morning that 9 per cent is not really a high rate. It is pretty standard. There was a time in our program that we viewed with horror anybody who dropped out. We felt this was a terrible thing to do. But there are some good reasons why it is better to bring people home and there is no longer a stigma attached to our program if a man cannot do the job or is in the wrong job. Perhaps an 8 or 9 per cent attrition rate is what we would like to have.

Senator Carter: Do you have comparative figures for other organizations and their rate of drop-out?

Mr. Bogdasavich: I know that the Peace Corps runs 9 to 10 per cent at the present time. In the fiscal year they are now about to complete they expect it will be 15 per cent.

Senator Lang: Is there any particular area in the world where CUSO is operating that produces a higher drop-out rate than other areas?

Father Gardiner: The Caribbean is the highest.

Mr. Bogdasavich: They are they guilty party for our increase from 5 per cent to 9 per cent.

Senator Lang: Is there a reason for this?

Father Gardiner: Well, there are various reasons. I think aside from the general reasons there are particular reasons for this in the Caribbean. First of all the age limit had been lower. Secondly, due to the level of qualifications—and at this stage I do not particularly want to get into the question of qualifications—people finish technical school

with just two years of training and with no experience. We brought these people down more or less as an experiment and put them into high schools in various places and they found they had difficulties. If they had been involved in a technical job, they would have survived. Then there was difficulty in one area with the so-called unrest or black power. When a number of young people start leaving a place, it is easy for the other young people to leave as well. The combination may be selection, orientation, but the place itself was the difficulty in that particular area. I attended a conference there for three days on this subject of drop-outs and to consider whether we were going to continue. The conclusions were that some of the people who had left had good reasons for leaving at the time. But the climate itself changed and there was a return to stability and this is where the question of replacement comes in. There were replacements found for this area whose orientation has changed completely to meet the needs of the area for the first time. I think we have improved on it. The year before we had 89 people, most of them young and inexperienced teachers. Now it is very difficult to support 89 young people without more professionals in the group. This year the average age went up from 22 to 24 and the people concerned had more experience.

Senator Grosart: Are you running into the problem of sympathy drop-outs? I am referring now to people looking at the problem from the point of view expressed in part 2 here of those who would say "I am going activist."

Mr. Sallery: We have a few examples of that.

Mr. Bogdasavich: But they are very, very few. We have experimented in this program. We took people who could be called political activists into the program if they also had other qualifications. We felt that taking them into the program would serve a useful purpose, although it is impossible to draw up firm conclusions about this. Many of them felt early on in the program that as concerned as they may be, they would have to direct their concern more properly when they got home. It is all right for a Canadian citizen to speak out in his own country about what he thinks we may be doing wrong, but it is not all right for them to speak in such a fashion in another country. The vast majority of them have come to realize this.

Senator Cameron: You say the average age is now 24 whereas previously it was 22. What is the lowest age at which you take them?

Father Gardiner: About 19.

Senator Cameron: Do you think there is a case for raising it substantially?

Mr. Bogdasavich: Yes. Frankly, the Caribbean program because of its proximity to us made us feel that we knew the area well. That was the situation when we started there. We felt it was a known factor and that we could send some of our weaker candidates there. We were inclined to regard it as the sunny part of the world. We know better now. The average age of those in our Latin American Program this year is 31.

The Chairman: Has it gone through the same performance?

Mr. Bogdasavich: Never quite as bad. But these are our two weakest regions in terms of attrition rate. We were just too sure of ourselves, too certain it was an easy area to work in.

Senator Carter: In your new reorganization program you are going to require workers far more highly qualified and with higher technical skills and you are not going to find them in that age group. You will have to go to a higher one. Now coming back to the pessimistic note which I think I detected in your brief, is that pessimism due to your feeling that you might not be able to get the kind of workers you want, or, if you do get them, that the conditions in the Caribbean are changing for this type of work for Canada and for CUSO and that the future is still not there?

Father Gardiner: We did not mean to be pessimistic. We were simply trying to be realistic. The idea was before that if 80 people were requested for the Caribbean and were placed there, we expected them to fit in. But now looking for specialized technical people, it is a different matter. We realize that recruiting such people wasn't as easy as we could have wished. Of course if somebody is leaving university, and the unemployment situation in Canada being as it is today, it may be possible to attract such people from the university. But when we get to the more technical people, people with young children where there is a question of housing, and a question of salaries and living accommodation, it is another matter. Then if we get people with experience, they go into assignments that are not exactly like what they did

before and for a few years the frustration factor may be greater. It is a question of finding the right type of person to fit into our philosophy, to fit in with our policies and the policies or the host countries.

Senator Grosart: Are you finding that job experience is really more important to those countries than academic qualifications?

Mr. Sallery: We are. People who have had experience are certainly much more valuable, but there are still these criteria on the part of government which makes it necessary for them to have something on paper. They must be able to show a degree.

Senator Grosart: Are you limiting your recruitment to people who have degrees?

Mr. Bogdasavich: No, about 30 per cent of the people abroad with our program do not have a university degree. Many governments of these newly independent countries at the beginning of the decade, in 1961, were very much interested in getting nothing but Ph.D.'s. But when we started the program at that time there were many who said that what we should send abroad were good Canadian farmers in many instances. Now we are beginning to get Canadian farmers and there is a tendency to move away from the Ph.D.'s in the developmental process because it is felt that there is a need for a more down-to-earth approach. More people doing that studying and making recommendations.

I would like to comment for a moment on the problem we are having about getting better people for the positions we have now. This explains the situation as we have described it in our brief. It may be that we will have to attempt to pay a somewhat higher salary if we want to get these people and I would like to read into the record our actual rationale so far as salaries are concerned.

The Chairman: Do you agree, honourable senators, that this should be done?

Hon. Senators: Agreed.

Mr. Bogdasavich: The rationale for our salaries is really basically this. We have said:

A high proportion of the all too scarce capital available for development is going to maintain the personnel of donor agencies at the level to which they are accustomed at home. Not only is this a serious drain on a scarce resource, but it also forces on the recipient countries the allo-

cation of money on inappropriate priorities. CUSO's policy of approximate counterpart salaries for this personnel must be understood in this light and it is one of the features which distinguishes us from many other manpower resource agencies.

That is our official statement, and what it really means is, for example, when I worked abroad I lived in housing far finer than I could afford to live in in Canada. There seems to have been a psychology among donors that if you are going into the manpower field in aid, you are really doing people a great favour and you want to expect the best. This is a very bad thing, not only with some people being very much overpaid who go abroad, but it is also forcing recipient countries to provide housing and facilities which they really cannot afford to provide.

I could give you a most specific example of the two extremes, and neither is what has to be or should be. I lived at University College, Dar-Es-Salaam. I was a criminal law tutor. Our housing was truly magnificent. The Chinese were building a textile mill three miles down the road from us, called "The Friendship Mill." About 300 workers came over and they built their own housing out of crating material that had been used to transport the machinery. Although I had many people over there say to me, "I am not impressed by having any particular group of people in the world trying to tell me in my country how to do things," nevertheless many of the citizens of the country I was in were terribly impressed that these people the Chinese would come in in that way. Now, these are the two extremes, but I think this gives you an idea of what our rationale is.

Senator Grosart: And they did not have native servants?

Mr. Bogdasavich: Well, on occasion they did. When I went abroad I decided I would not have servants.

Senator Grosart: No, but I mean the Chinese did not.

Mr. Bogdasavich: No, the Chinese did not, but I am not sure if it was for the right reasons! The Chinese did have a lot of difficulty in relating with the people. I would say that when I went abroad I was absolutely certain this was a terrible thing to do, to have servants. I made it clear that I would not. Within three weeks it was known throughout

all the villages around the university that I did not want to have an African in my house, and that was the reason why I did not have a servant. I can assure you, senators, that my house was full of servants after that.

The Chairman: Might I ask you two personal questions? Number one: What age were you. Number two: Were you married?

Mr. Bogdasavich: I was single, and I was 25.

The Chairman: Thank you very much.

Senator Grosart: The same thing happened with our immigration program. I can remember when the Jamaican government arranged for the Canadian government to admit 500 Jamaicans as domestic servants, and I happened to be down there at a conference and the first statement made was, "Under Canadian immigration laws you have to be a domestic to get into Canada."

Senator Cameron: If you are going to raise the maturity level of your CUSO workers to, say, 27, 28, 30, will you not inevitably be put in a position where you will have to make a dual salary arranged to get them—in other words, pay the local salary rate, but let them build a reserve, again for reasons these people are probably married, they have insurance policies and mortgages on houses, and so on? Do you see any problem in doing this, apart from the one of getting more money to do it?

Senator Lang: Particularly the income tax problem.

Mr. Bogdasavich: Yes, that is going to be their problem. There are a variety of ways this can be done, and one of the ways is that which you have suggested. This has been the policy of some programs. For example, the United States Peace Corps puts \$75 a month into an American bank account for each of their individuals. We have not had that kind of money. That is one way of doing it. Certainly, no matter which way we choose to do it, we would have to keep a very close eye on the exact amount of money we were putting into the hands of our people overseas while they were over there.

We have never been, for the last three or four years, particularly proud of the fact that we work for a very low salary in many instances. It is not that kind of "service" idea. It is much more related to the statement which I made and, frankly, it is possible that we will have to try and find more money.

Senator Carter: I have four other questions. You have been very frank in your criticisms of CUSO programs, and of Canadian programs generally. One of the criticisms is that of the delay resulting from too much studies. Who is responsible for all these studies? Why cannot we get on with the job? Where does that responsibility lie?

Senator Grosart: Incidentally, that was a reference, I take it, to CIDA, rather than to CUSO.

The Chairman: There is a specific reference in the brief.

Senator Grosart: I think it was to CIDA.

Mr. Bogdasavich: I think there is a particular answer and a general answer to that question, and I will ask Father Gardiner to answer particularly and I will try and make some comments on the general.

The Chairman: For the benefit of the committee it is on page 14 of the brief.

Father Gardiner: I am reporting rather than interpreting. I met with a number of government officials on some of the islands and in Guyana, and everyone—Would you repeat the specific question?

Senator Grosart: Too many studies.

Senator Carter: Too much time is being wasted in studies.

Senator Grosart: It is the third paragraph on page 13.

Father Gardiner: The ministries in three different places, to give you three different examples, told me they wanted to meet with me and they wanted it brought to the attention of the Senate committee that there is waste of manpower on their side in administrative work in the aid program; that they had men tied up doing administrative work and trying to detail projects they are not ready for at the time. There is a lot of study going on. I am not getting into feasibility studies, but they say there is a lot of study going on and too much study on certain projects, before there is approval. They say that projects are too slow in becoming established realities; that there is too long a period between the planning stage and the project completion. It is explained to them that it is new, and that we have to have more detail.

Senator Carter: I want to know who is responsible for these studies. Who decides

that studies must be carried out before we can get on with the job?

Father Gardiner: I am staying with the particular.

Mr. Bogdasavich: I shall try to stay with the general here without pinpointing one particular agency. I think it is a phenomenon in the development field that almost every agency, whether it is concerned with a bilateral program or a multilateral program—and some of the U.N. agencies are more guilty of this than others—favours doing feasibility studies. These are not even requirements against a specific project. It is just that there is an enormous number of studies done in the general areas, and sometimes these studies will appear in the form of a four-day conference for which many people on both the donor and recipient sides spend six months preparing, and nothing concrete comes out of it. There is a great deal of that.

I think the key here ideally is that there ought to be a high degree of decentralization of any donor aid program. That means that if you have a government aid agency it ought in the first instance to have considerable autonomy itself to carry out certain programs. If that agency requires that everything in respect of every kind of commitment be done from its location in the donor country, it is probably not exercising enough delegation to the field. It must establish field offices and programs such as those which, for example, our own CIDA operation is attempting to do now. It is not good enough to establish offices if you are not going to pass along the maximum amount of authority and autonomy. There has got to be a lot more commitment authority on the part of people who are right there on the scene.

Secondly, is a complaint that we have heard throughout all the regions—is that where such local commitment ends you have to refer back again to the home donor agency with considerable delay. For example, if you do not allow a commitment of any person in any aid program to exceed \$100,000 without checking at home, and you send a team from your aid agency to study it, then that team ought to be given the maximum amount of autonomy. Recipient governments have complained many times of teams being sent out to do a study but not being able to commit anything. They have to refer the whole business back to their own national office, and it has to fall into their timetable of when it can be studied, and so on.

So, the key thing, I think, is that there has to be a certain amount of autonomy given to your donor agencies, and then there must be a maximum amount of decentralization within the agency itself.

Senator Grosart: What is the time lag between request and response in your own agency?

Mr. Bogdasavich: It could be anywhere from two to nine months. It depends upon when they get their requests in.

Senator Grosart: In other words, it depends upon where they meet the red tape?

Mr. Bogdasavich: Yes. Normally we would tell them that if they want to get people from us at the end of July, 1970 they have to have their requests in by January 1, 1970. That should be the maximum time of delay.

Senator Grosart: What is your response mechanism?

Mr. Bogdasavich: This would be a matter of placement, I guess.

Senator Grosart: I am asking about the decision as to whether you say yes or no to a request.

Mr. Sallery: We would generally entertain any requests that we receive, knowing, of course, the capabilities that we have in Canada. If we get, as we did last year, a request for 20 air traffic engineers from Tanzania then we know we cannot get that kind of personnel so we try to turn off the request at the source.

Senator Grosart: Your response may be: No, but I am inquiring as to the nature of the mechanism...

Mr. Sallery: The field staff officer in the country generally knows what kind of person will be available.

Senator Cameron: Just a minute now. We are talking about maximum decentralization and maximum autonomy, but here we get into the area of governments of other countries coming into the picture, and this makes for a great multiplicity of organizations. What is the machinery on the part of the host government for co-ordinating and channeling these activities so that they know and can say: "Well look, so and so is in that field, and you stay out of it". It is this kind of co-ordination of organization that I am wondering about.

Mr. Bogdasavich: Would you like us to answer in respect of the Caribbean region, or generally?

The Chairman: I think you should answer in respect of the Caribbean.

Father Gardiner: I will take Guyana as an example first. In Guyana everything is co-ordinated through the Economic Development and Planning Department.

Senator Cameron: That is a department of the Guyanese Government?

Father Gardiner: Yes. All candidates are channeled through my office. When they are approved they go to that body. They approve of all of these candidates first, and then they are distributed to the Ministry of Education, the Ministry of Health, the Ministry of Agriculture. In Jamaica they are co-ordinated through the Ministry of Finance—everything is channeled through there, and then sent to the Ministry of Education or the Ministry of Health. In Trinidad it is the same. In some of the smaller islands we may have had some difficulty because of the lack of co-ordination of the volunteer agencies, but this is how our submissions are channeled. They are channeled through their ministries.

Senator Cameron: So if there is duplication then it is the fault of the planning department of the local government?

Mr. Bogdasavich: That is right.

Mr. Sallery: Are you talking about the placement of technical personnel?

Senator Cameron: Yes, I am thinking of the various agencies, CUSO being one.

Mr. Bogdasavich: The fault lies a little bit on both sides, but it is primarily with them. When we began to work with individual governments in the Caribbean area and elsewhere in the early 1960's we were dealing with each ministry, and sometimes with each division, and that was a lot of people to deal with. The situation now is very much as you have described. What we need is for an "establishment division" to play a co-ordinating role; to take on that responsibility.

In terms of our own program we have a field director in each country. In the case of the Caribbean we have an area director, on top of all these country directors, who also live out there. They may receive long before January 1, 1970 a large number of requests

from the governments in their region. Two or three months before Jan. 1st most of those requests will be vetted by our field staff co-ordinated through the area director. That happens long before the final list comes up to us. That entire process is going on one to two months before we get the lists in Ottawa. All of those decisions have been made entirely by our field staff.

So, they are measuring what we are basically going to do, and they have information about the availability of manpower in Canada.

Senator Cameron: What liaison machinery is there as between the different agencies? What liaison is there between your agency and a British agency or an American agency that is working in the field?

Father Gardiner: In most of the regions we meet with them and go over the placement requests. They get our lists, and we get theirs. This is the only co-ordination that we have with them.

To give you an example, we had to phase out of one island because the administrative costs were too much, but another agency was able to place people there at less cost to the island. Sometimes it is a case of personnel that can fit into the job much better than our people can. For instance, with the British system of education, the type of people who are familiar with it.

So, there is a certain amount of co-ordination at that level. We engage in the same procedure with the Peace Corps and with V.S.O. But, again, when specific requests come to us we have to look at them, and in some cases we have to say no.

However, there is a large number of agencies in the islands in respect of which there is no real co-ordination at all. And there are many agencies from Canada all working in a particular island, with no co-ordination at all among themselves.

Mr. Bogdasavich: At the more senior manpower levels there have been suggestions that the United Nations Development Program (UNDP) might play this co-ordinating role in each region. At our own level the furthest we have reached in this regard so far is in East Africa where we recommended that the government earmark one of their men to have complete responsibility for co-ordinating the activities of our kinds of agencies. He acts as

chairman of a regularly constituted meeting at which every agency of our kind sits down and compares notes, and gets instructions from the government. This has been working reasonably well in the area where it has been tried.

The Chairman: It seems to make very good sense.

Senator Carter: You mention in your brief that there is a growing distrust of whiteness generally and evidence of the trust in Canada, which has been excellent previously, deteriorating. Is this deterioration of trust in Canada part of the general picture of this growing distrust of whiteness, or are there special reasons why it is applied to Canada?

The Chairman: I think that question has been answered, certainly in part, but I would address it to Mr. Sallery.

Mr. Sallery: In the view of many people the history of whiteness has not been a very happy one in the West Indies. That is a general statement about whiteness. They refuse to deal with, or view with suspicion Americans, Canadians, British, and so on. I have noticed that there is a considerable increase in the news media, both underground and the popular press, with specific reference to Canadians. In my opinion this is due to the increased Canadian business interests and tourists in the Caribbean area.

Senator Carter: Just what do they pinpoint for Canada?

The Chairman: Senator Carter, I understand that the witness has specific examples of this. With the consent of the committee, I would distribute these.

Senator Carter: Could we take them as read and go to the next question?

Senator Cameron: Would you put them on the record?

The Chairman: It would be unwise to do that until we have seen them.

Senator Grosart: I suggest it be left to the discretion of the chairman.

Mr. Sallery: I have a collection of newspaper clippings which I will make available.

The Chairman: There will be full distribution of these documents to the committee.

Senator Grosart: Although they are going to be distributed, could you answer Senator

Carter's question: Are there any specific reasons that you can see from our side for this zeroing in on Canadians or why the bloom is off for Canada?

Mr. Sallery: There are specific criticisms of Canadian private business attitudes, Canadian tourists, some of the banks, the way we do business, and so on. That kind of thing is becoming much more prevalent.

Senator Grosart: In other words, the more they see of us, the less they like us.

The Chairman: That happens with the best of friends.

Senator Lang: Did the trouble at Sir George Williams University accentuate the feelings?

Mr. Bogdasavich: It has been an issue.

Mr. Sallery: Yes.

Senator Carter: I think the implication of your answer to the question of Canadian companies being good corporate citizens was that largely this is up to the local government to set the guidelines. This is a crucial problem, because it does not apply only to the Caribbean, but everywhere in every developing country. I would like to hear your reaction to this: Is there not more involved than that, because actually what they are protesting against and do not like about it is not so much the company or its operation as the system of which the company is a visible part and the results which this system produces. You get a very small class of very high salaried people, a big mass of people living at the subsistence level and no middle class. Every enterprise that goes into a developing country is going to create that type of situation, with all the tensions that arise out of it.

Is there not something that the companies themselves should do in an endeavour to arrive at a philosophy of operation in that setting?

Mr. Sallery: I have nothing against multinational corporate involvement. I think that any good corporation which has the perception to plan on its own would take many of these criticisms into consideration. There are several examples of large oil corporations which have done this and worked with the governments. In some cases they have turned over ownership to the country concerned with a guarantee to return a certain percentage of profits. That kind of planning is extremely

useful and very helpful to the developing countries.

Senator Carter: Could you put it in the framework of their own enlightened self-interest? If these criticisms continue they will eventually lose their investment, as was the case in the Middle East countries.

Mr. Bogdasavich: We talk very often of investment in "futures" and we should be sure that a company is going to give us a future return. It is very much in their own enlightened self-interest.

When considering our recommendations we rejected one which we felt would be impertinent. It was that the Canadian Government ought to take some responsibility for laying out guidelines with regard to foreign investment. We rejected it as impertinent because we do not have enough information to make such a proposal.

One point which might be focused upon is in the immediate future is for more formal studies of what development planning should be. This could be achieved with the use of Canadian funds at an international research centre, or elsewhere. The whole area is sensitive because people feel they are being unduly criticized when invited to remove some of the passion of argument.

Senator Macnaughton: I hope my questions will not be considered impertinent. I am really searching for information from witnesses who, presumably, have had a great deal of experience. In quizzing you we can bring out your attitude, which is my purpose.

In the second part of page 18 of your brief you indicate that they "feel they are getting the short end of the stick". Then at page 20, it is stated:

The desire to be as affluent is growing and yet this is not easily obtainable.

I suppose all of us would like to be affluent.

In the last paragraph you speak of radicals referring to several businesses such as Alcan, the banks, insurance companies, the Distillers Corporation and so on, who they say all seem to be very profitable and most West Indians are not. Is it so extraordinary for private industry to go into developing countries? Would there be any development if they had not gone there? Have they not done a good deal in educating the officials of the governments who have recently become indepen-

dent? What have you to say about that? There is the other side of the picture, with company towns, company shops and things like that.

Mr. Sallery: Again I refer to a lot of the press clippings that I have, without specifically reading any of them into the record. The attitude of many West Indians is that this gap is still a black-white one. The foreign companies, however much they may have contributed, do not seem to the average person to be contributing to the development of any particular island state or mainland state.

Senator Lang: Could you surmise whether this attitude would exist if all the employees of a Canadian company, say a bank, in the West Indies were black?

Mr. Sallery: No, I do not think so.

Senator Grosart: It may work.

Mr. Sallery: It might. It does not matter who is sitting in the front window, it does not matter if all the staff are black, white, Chinese or anything else. The fact is that they are concerned that the money made by the corporations is not being put back into their own country. We are not able to convince them that a lot of money is being put back. I wish we could. These people keep telling us that these businesses are obviously making a profit. It is a question of how much profit.

Senator Lang: I am trying to see whether it is a question of mixed emotions, whether it is economics or one or the other?

Mr. Bagdasavich: It is both.

Senator Macnaughton: The same could be said about the people of this country, the United States or many other countries.

Mr. Sallery: Senator, people are saying that.

Senator Carter: Does it not go deeper than that? Does it not go so deep that it creates in these people the idea that they are doomed to be hewers of wood and drawers of water, because there is no possibility of developing industries requiring technical skills, to enable them to compete with the developed countries? Therefore, they are forever confined to the menial level. That is what I read in your brief.

Mr. Sallery: I certainly would not want to make a statement like that.

Senator Lang: Ask the senator to speak for his own province.

Senator Connolly (Ottawa West): My only question is really supplementary to that. First of all let me say that I have watched CUSO from the time Dr. Leddy, and I believe others, started it. I do not think there is any organization in this field in Canada that has a better record than the CUSO volunteers have had.

Senator Lang: Hear, hear.

Senator Connolly (Ottawa West): From its history and the way it operates, I am very impressed, as I am sure we all are, with the idealism and also the factual information that has emanated, not only from the evidence but also from the brief. This same question has been discussed here at some length. In other parts of the Commonwealth they are talking about the need for pools of capital and outside investment to come in and develop. I am wondering whether the criticism is mainly from the press, whether it is the normal press or the underground press, and whether too much attention is being paid to that, or whether you think it comes from government itself. In other words, what is the official attitude as opposed to the attitude expressed in the press about Canadian domination, foreign domination, too much coming out in the way of profit and not enough participation?

Mr. Bogdasavich: It is very difficult for us to speak for these governments. If they make public statements, I think they will be cautious. If you meet them as individuals they might be more critical. That is all I can say.

Mr. Sallery: I would feel much more unsure of pressing this kind of thing if I did not at least have some dialogue with government officials. Even if they are not willing to have me or themselves put their name to it, informally a lot can still be done. For various reasons, this is directly at a governmental level.

Mr. Bogdasavich: Referring to the criticisms, I should like to underscore that we should not only be concerned about the possibility that, in their view, unfair profits are being taken out, but we should explore what may in fact be at the heart of the problem, namely the manner in which the profits are ploughed back into that country by the private sector, how they relate that investment to development plans that the government itself is putting forward. This may be a major area of friction, and it may be that in some countries an undue profit is not actually

taken out. It is the manner in which the funds are reinvested in relation to the development plan in every sector.

Senator Macnaughton: Senator Connolly more or less summarized that paragraph. I should like to point out, however, that in Barbados, for example, very good tax incentives are offered to go there and create industry, for obvious reasons. Many industries are increasingly employing more and more local people as they become qualified technically, administratively and otherwise. That also applies in Nassau.

Mr. Sallery: Could I just respond to that? In the *New York Times* last weekend there was an advertisement by the Barbados Export Corporation soliciting private corporations to go to Barbados. The advertisement referred to "cheap labour". That may be true; labour costs are low; but there has already been a lot of reaction from people who say that one cannot advertise for western companies to go to Caribbean states because there is cheaper labour.

Senator Macnaughton: I certainly do not disagree with that, but on the other hand you do not need a fur coat or a winter coat down there, and because of the cost of living and other things it is cheaper.

Mr. Sallery: I am concerned about the reaction of people who see this kind of thing.

Senator Macnaughton: In Nassau it is government policy that a new company cannot bring in a white person to work, even a secretary, unless the local labour market has first been cleared. That may or may not be right. In one sense, of course, it is right. In another sense it holds up development.

On page 21 of the brief you say that the islands cannot compete with the great industrial democracies of North America and so on. Is there any reason why they should? What I should like to find out from you gentlemen is what type of, say, private Canadian industry should go down there with their money and try to develop for the benefit of themselves and the local people? Obviously there is no sense starting a textile or coal industry if they haven't got any.

Mr. Sallery: That is the kind of question I think would be much more appropriate to the West Indians, themselves. There are available resources, such as bauxite and other minerals and capability of fruit production. I do not want to get into bananas.

Senator Macnaughton: We had that last week.

Senator Cameron: And sand and water.

Senator Macnaughton: And sex which you left out. In regard to tourism there is a statement on page 24 of the brief:

...the question which seems more relevant is, whose growth and/or at what price—it is a political-sociological consideration rather than just an economic one.

Would you say that all tourism has been bad?

Mr. Sallery: No.

Senator Macnaughton: Would you say there is any good part to it?

Mr. Sallery: Yes, I would.

Senator Macnaughton: You know of the development in the various islands—we can cite Barbados as another example—as to the giving of employment, the making of money for the local people, the training that is given in the hotel industry, which in turn can react all the way through and up and down the scale and the need to provide local things for the hotel system.

Mr. Sallery: Yes.

Senator Macnaughton: I am trying to bring out the other side.

Mr. Sallery: I don't have any question about that. What we are trying to do is relate the facts that there are questions existing with regard to tremendous losses. If the islands develop on the basis of tourism and have a tremendous influx of people from the western world there are some prices which have to be paid and there still is a dialogue as to whether or not they want to pay that price.

Senator Macnaughton: That is a matter for them, but I do not think we should be condemned in regard to that.

Mr. Bogdasavich: It is also true that human dignity has to be a consideration when you are giving an image to an area and I think some of it is sociological, such as emphasizing the notion that a lot of black people are very rhythmic. This is not what the black people in the area see themselves as today. A lot of the problem is the image, but one of the other difficulties, and I think you have already noted that in your hearings, is that the local agricultural sector has not been related to the

tourist industry. If you go into a shop in any of these countries you will find that the vegetables are brought in from Florida. In our conversations with the foreign managers of tourist industries, we find that they are often not showing very much interest in linking that agricultural sector to the tourist trade. They should be showing a great interest.

Senator Macnaughton: That is primarily a planning development for the local government.

Mr. Sallery: We can help by being sensitive to the issue.

Senator Grosart: For the sake of the record, could I ask the witnesses, if in the last line it reads "made" should not be "paid"? I think it is a typographical error.

The Chairman: Could we clarify this one point. On page 24 of the last line of the brief it reads "made". It quite obviously should be "paid".

Senator Macnaughton: On page 25, you refer to West Indianism. Some of us know the difficulties that they ran into when trying to set up their confederation or federation, whatever the correct term is. Have you anything to say in regard to that...Trinidad versus Jamaica?

Mr. Sallery: Yes, I have. Other than what has been said here I think there is a move on the political level and economic levels for a new Caribbean unity of some kind. It is mainly because they have felt that it is very difficult to get from Canada or America or any place else, on a bilateral basis, the kind of things they have asked for over the past three or four years. They felt that a united voice would be much more substantially heard.

Senator Grosart: Could I ask a supplementary here? Have you any information on the restriction of labour mobility between Jamaica and Trinidad?

Mr. Sallery: I do not have the statistics here.

Senator Cameron: Between Haiti and Nassau.

Mr. Sallery: There is a major request from Guyana soliciting any trained population surpluses.

The Chairman: That is a very germane point.

Mr. Bogdasavich: The strongest criticism that we are hearing about the question of West Indianism is criticism directed at their own leadership by their own people. Would you agree with that?

Mr. Sallery: Yes.

Senator Macnaughton: I would now like to refer to page 26, "are we really being of assistance." There is a great deal about frustration and hostility and all the rest of it. You then go on to say, "Fortunately, this is not the viewpoint of all—but it is our belief that Canadians could do far more to improve their effectiveness of assistance, in whatever form." Then there is the extract that we have already put on the record. On page 27 you go on to give various quotes from local newspapers, such as "Count First the National Cost", "Closing Gap of Colonial Past", "Growing Frustration with U.K. in Caribbean" and "Dependency Unchanged Since Independence". All of this adds up to quite an indictment in one way. I suppose criticism never hurts, especially if it is intended to be constructive, but isn't it a little one-sided there? I know quite a few of the local politicians and some rather prominent ones in the various islands and they are using the local press in slogans as some of our American politicians may do.

Mr. Sallery: Maybe you have misunderstood our intent. We are trying to present some of the concerns which are not often heard. I think there are some very good relationships. My concern is that criticism is becoming more frequent.

Senator Macnaughton: This is the purpose of my question, to get your reaction. I know you are concerned, otherwise you would not put it in here, and on that score the question has been raised. What about the effect of the Sir George Williams University affair? Have you anything concrete or constructive to say about that—the effect of it down there?

Mr. Sallery: I think it was a mixed reaction.

Senator Macnaughton: Do they understand it?

Mr. Sallery: I think everyone tries to understand it in his own way. When Governor General Michener was there just after it happened he was banned and barred from U.W.I. in Trinidad. That certainly was part of the reaction. News publications in the

ABENG magazine suggested that Canada makes enough money to buy several computers out of the profits it makes in bauxite. That was certainly a reaction.

Senator Macnaughton: Let's put it this way on page 26, in reference to Canadian companies operating in the region, your brief conclusion of being a "good corporate citizen and paying taxes... is not enough. Canadians, including private corporations, must get involved in more positive kinds of developmental activities..." In a general way you have answered it, I admit, but could you be more specific?

Mr. Sallery: As to what kind of development we could do?

Senator Macnaughton: Yes.

Mr. Sallery: I think I could name a few, yes. I suggest that you also hear many of the West Indians. Those who have been working for several years for this kind of thing—for example, extensive management training of local personnel. Also putting profits, which are left, back into the sectors, which are asked for by the government, as opposed to other sectors which are not as helpful for overall development.

Senator Macnaughton: That is all right in principle, I admit, but have you anything positive? For example, take the Government of Barbados, which I think is reasonably capable and certainly it is a totally black government, is it not, now. They seem to do a pretty good job, on the industrial scene, on the financial scene, on the general development scene and on the democratic scene. They have a pretty good government with a very high content of ideas, and what not. Are you saying that we just take 5 per cent of the Alcoa Corporation profit and hand it over to the government and say "here it is, develop your island"? Have you got something definite?

Mr. Sallery: I would not want to make that kind of recommendation, because I do not think we have paid enough heed, listened enough, to what the West Indians have been asking themselves. If you are speaking on palliatives or a policy or a solution to this kind of thing, one thing I would suggest is that what we are doing now is not sufficient.

Senator Macnaughton: That applies generally, I guess.

Mr. Bogdasavich: For example, there are a series of newspaper articles coming from Guyana around the insurance companies, on what they are doing with their profits in Guyana. One of the really outstanding local businessmen involved in insurance has said "of course, we would like to, and wish to be part and parcel of the development process of Guyana, and we would like to do it the way the government is indicating" but he himself said "of course, you must bear in mind that the national offices are not anywhere near Guyana, they are in North America, and we have to do whatever they determine, whether they are going to let us use profits in the way you have indicated in your development plan." I guess we cannot be any more or less vague than that.

Senator Robichaud: Being guided by the clock, I will limit myself to one question only, and will go to the last page, or the one before the last page, Appendix 1, page 28. I notice that this subject has been touched on briefly, but I would like further comments. On the number of CUSO presently in the Caribbean, I notice, that since 1964 it has been going on the increase, but in 1969 there was a drop of 30 per cent in general, while in some countries like Grenada for example it dropped from 4 to none. In Guyana, it dropped from 17 to 9 which is a drop of 50 per cent. In Trinidad it dropped from 7 to 3, which is over 50 per cent and in the Barbados it dropped from 13 to 7, which is almost 30 per cent. Now, what is the main reason for this drop or decrease in the number of personnel? Is it due to the limited number of requests from the host government, or to the limited number of funds available, or what is the reason?

Father Gardiner: There is a number of reasons for the drop. We had too many the year before. I think we did not have the proper investigation in the field of placement, and we did not have the field staff to go through the area and make an evaluation. We were making placements from Ottawa, for many of their requests.

Since then we have put staff in the field—more field officers—who meet with the governments to go over with them what they want, and who look at the jobs, and find out what other agencies are doing in regard to certain jobs, that we were not doing well. We have been able to take our people out of those positions or do not place them.

Senator Grosart: Are you not concerned that you are phasing out of small countries, in favour of large countries down there?

Father Gardiner: I am concerned. Yes, I am concerned about phasing out in certain places, but with the programs we have in the ten islands, with the limited resources we have, we just cannot spread ourselves out sufficiently.

Senator Grosart: Are you not in danger of doing exactly the same thing as you are criticizing in the big corporations—you are going where the going is good. You are going out of Dominica, Grand Cayman, Grenada, Montserrat. Are you not doing the same thing as you say the big corporation is doing—taking the easy way?

Father Gardiner: Grenada—we did not get any requests from Grenada.

Senator Grosart: But you say you are phasing out of Grenada.

Father Gardiner: We have not closed the door on negotiations, but we have not received any requests from them. In Dominica, our experience has been that of receiving requests for only one or two, and we could not continue to go there.

Senator Grosart: So it is not correct to say that you are phasing out. "Phasing out" means you are finished. Are you phasing out for good and saying you are through with them?

Father Gardiner: Phasing out...

Senator Grosart: Are you saying you are phasing out completely, are you saying you are through with Dominica, that you are through with Grand Cayman.

Father Gardiner: There is a staff officer going to Dominica next month.

Senator Grosart: So you are not phasing out, you are temporarily withdrawing?

Father Gardiner: Yes.

Senator Grosart: That is good.

The Chairman: Honourable senators, it is now 12.30. I would like to make a rather special remark here this morning. I think that the competence of your brief has only been equalled by the competence of your respective performances here this morning. It has been first rate all the way.

The second comment I would like to make is that it has been very rewarding to see the interest of your staff and have them here this morning. I think it is indicative of the enthusiasm about CUSO and, as has been said previously by other senators, this is an organization of which Canada can be duly proud.

The committee adjourned.

APPENDIX "F"

REPORT TO THE
SENATE COMMITTEE
ON
FOREIGN AFFAIRS
RESPECTING THE
CARIBBEAN AREA

by
CANADIAN UNIVERSITY SERVICE
OVERSEAS

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PART I

HISTORY OF CUSO IN CARIBBEAN

The founding of CUSO, followed two already-established Canadian volunteer assistance programmes—Canadian Overseas Volunteers (COV) and Canadian Voluntary Commonwealth Service (CVCS).

Canadian Overseas Volunteers, based in Toronto and with a second committee in Québec, sent volunteers on one year assignments to Asia, Ceylon and Sarawak in 1961 and in 1962. At the same time, the idea of another volunteer assistance program, but in Commonwealth countries, was being pursued by an Englishman teaching in Canada, Guy Arnold. Originally, it was intended that the CVCS programme would include other Commonwealth countries, but all of its activities were actually confined to the Caribbean area. Certain factors distinguished CVCS from COV. Arnold was concerned about developing programmes for both short term summer service and one year service. He was also interested in arranging for West Indian youth to come to Ontario during the summer months as campers. CVCS programmes were not confined to university graduates and undergraduates, but also comprised recent high school students.

In 1960 two students at the University of British Columbia became concerned about the need for young people, not just experts, to serve abroad. With the help of other students and interested faculty members, they formed a committee which was chaired by Dr. Cyril Belshaw, a professor of Anthropology with considerable experience in developing countries. The President of the university and the Students' Council lent their support and the committee became known as the "President's Committee on Overseas Service".

On March 20, 1961, the UNESCO Commission convened a meeting at the request of several individuals and organizations to discuss the possibility of establishing a national, non-denominational organization for overseas service. In addition to representatives from COV and the UBC Committee, there were also representatives or observers from the External Aid Office and several university-oriented organizations.

As a result of this and subsequent meetings, it was decided to draft a constitution for a national organization which would provide for a strong, national executive committee and a national staff operating through its chief administrative officer, the Executive Secretary. In June, 1961, the annual meeting of the National Conference of Canadian Universities and Colleges (NCCUC) was held on the campus of McGill University in Montreal and on June 6th, a special meeting was held under the chairmanship of Dr. J. Francis Leddy, President of the UNESCO Commission. This meeting was attended by representatives of twenty-one Canadian universities and twenty-two organizations with interests related to overseas service. After considerable discussion, the draft constitution was adopted and CUSO came into being as a national organization.

Canadian Overseas Volunteers, a founding member of CUSO, ceased to exist as a separate organization after its volunteers were sent to Asia in the summer of 1962. CUSO became fully operative in the Caribbean in 1964. CVCS, though not a founding member of CUSO, became a member organization in 1963 and also ceased to exist as a separate organization after the completion of its programme in 1964.

That year CUSO applied its own programming principles to its new responsibilities in the Caribbean by insisting on local salary payment and substantive two year roles for the 31 people it sent to the field. Implicit were more placements with government agencies, fewer ill-defined youth work tasks and hopefully, some improved reflections of manpower needs in the region. A larger number of CUSO teachers in 1964 taught in secondary schools. A slightly broader range of skilled personnel was also assigned to work within government development plans. A geologist researched the Blue Mountains with a team from the Jamaican Scientific Research Council; an agriculturalist worked with and taught self-sufficiency to campers in the Jamaica Youth Corps and two public health nurses worked in rural St. Lucia.

The year 1965 started a trend continuing today, as the percentage of secondary school teachers dropped slightly. Concurrently, the number of teachers qualified in specialties such as home economics and commercial subjects improved. As happened throughout the world, the Caribbean programme almost tripled in size in the 1966 to 1967 period.

Trinidad and Tobago introduced new requests for rural secondary school teachers in the arts in 1965. Encouragingly, these manpower needs were overcome in this peak CUSO period by Trinidadian graduates. Their requests to CUSO dropped within two years of their coming to CUSO's attention. In other areas, such as Jamaica and Antigua, the upsurge in requests resulted from a surprising need for primary teachers and a new acceptance of Canadian primary qualifications.

In step with the enlarged Caribbean programmes of 1966 and 1967, was the increased percentage of non-university graduates who filled new priorities overseas. Fully thirty-five per cent of the one hundred and forty volunteers in the region in Centennial Year had training outside of our universities. Requests for technologists, technicians and craftsmen

able to pass along skills in formal and informal teaching roles have continued to increase and reflect a new priority in West Indian educational planning.

In the early days of the programme, the director in Ottawa made periodic programme trips to the Caribbean for the purpose of meeting with government and private officials to gather requests, make placements and to visit with the personnel working in the field. Part-time co-ordinators were used as a contact for the director and personnel. In 1966, a full time co-ordinator was appointed in Jamaica and was assisted by part-time co-ordinators in Trinidad and Guyana. A second full time co-ordinator was appointed in January 1968 when the programme was divided into two sections. One regional representative became responsible for Jamaica, Antigua, St. Lucia, Montserrat, Dominica, St. Kitts, Grand Cayman, British Honduras, with the second regional representative responsible for Guyana, Trinidad/Tobago, Barbados, Grenada, Carriacou and St. Vincent.

Historically, the programme had been made up of very young, inexperienced teachers and it became apparent that the programme had too many novices, too many weak volunteers—weak in the sense that they were non-supportive of each other. A great deal of the two field officers' time was taken in visiting the volunteers to give them the support lacking. It became imperative that a thorough review of the programme be made.

To strengthen the programme administratively, it was decided to locate the director in the field—Barbados—and that he be assisted by three field officers: one each in Jamaica, Barbados and Guyana, with an administrative assistant in Ottawa to co-ordinate liaison and the flow of information between the Barbados regional office and the Ottawa headquarters. A great deal of planning and discussion went into the reorganization. With three field officers and the director in the field, more support is now given to the volunteers and more time is available for a thorough investigation of requests and placements.

To strengthen the programme personnel, selection of the 1969/71 group was more rigid and thorough. Though the programme budgeted for 85 volunteers, only 62 were placed in September, 1969. The average age of the group went from 22.5 to 24. Few applicants with non-teachable majors were accepted. After almost one year of decentralization it is agreed by the Caribbean staff that the pro-

gramme has been strengthened and that decentralization of the authority for the programme has, at least in part, contributed to this.

CUSO—PRESENT AND FUTURE

By June, 1970, the Caribbean programme will have phased out of five West Indian islands—Dominica, Grand Cayman, Grenada, Montserrat, and Carriacou. The reasons for this phase-out are obvious: the impact that four or five teachers have on the development of one small island is almost negligible. Administratively, the cost is too high to service an island with only three or four CUSO personnel. Other volunteer agencies, in some cases, are able to supply personnel to the island at less cost than CUSO personnel.

A. GUYANA

Guyana has the second largest concentration of CUSO personnel after Jamaica. Two years ago the majority of requests were for secondary school teachers. Three agriculturalists, a civil engineer and three medical personnel were requested and placed. Last year more technical and professional people were requested. We were able to recruit and place two engineers, a geologist with a Masters degree, technicians and medical personnel, as well as teachers. The requests in Education are mostly for science teachers.

TRINIDAD AND TOBAGO

Each year CUSO received a handful of requests from Trinidad and Tobago for secondary school teachers of mathematics and science. We have, from time to time, received requests for highly specialized and professional personnel, but we have been unable to recruit them. Job satisfaction in Trinidad has been high and the dropout rate is almost nil.

B. EASTERN CARIBBEAN

The Eastern Caribbean area includes Barbados, St. Lucia, Grenada, Carriacou, St. Vincent, St. Kitts, Montserrat, Dominica and Antigua. Presently, personnel in the Eastern Caribbean number 44, comprising secondary school teachers, a pharmacist, X-ray and lab technicians, nurses and technical teachers. Much of the field officer's time is taken with investigating the many islands. Each island is different and has distinct problems and specific needs. As CUSO's resources are limit-

ed, we have attempted to assess the needs, as well as the potential utilization of personnel before making placements.

C. JAMAICA

Jamaica continues to absorb our largest concentration of personnel. The priority is in Education. We have placed most of our personnel in secondary schools, mainly in the general academic subjects, though requests for industrial arts teachers have increased tremendously. Only a few professional and technical placements are made annually. We are never able to meet all the requests of the Jamaican Government, particularly in the professional and technical fields.

The Caribbean field staff has attempted to project for five years the priorities and placements. The programme has responded to requests, in the past which were reasonably easy to fill. However, trends have changed and this year, there is a great emphasis on placing science teachers, technical and professional personnel. Phase-out may be more immediate in some of the islands than we hope, unless we are able to recruit the personnel they need.

A. GUYANA, TRINIDAD AND TOBAGO

There is a good deal of excitement in Guyana as they prepare for the Republic celebrations. In the midst of this there is serious work being done in preparation for developing the interior in agriculture and in education. This year the new facilities at the University of Guyana, the technical school at New Amsterdam, as well as the new multilateral school, will offer more training in the technical field. With these developments and others such as the new implementation Health plan—we see enthusiasm and hope in Guyana.

Guyanese officials recognize the good will of Canadians and are grateful for the substantial amount of aid received from Canada, especially in the fields of civil aviation, education and feasibility studies. However, it was felt that they do not always receive assistance in the area of their immediate need. For example, they would like assistance in developing productive industries such as beef raising.

There are, of course, attempts now being made to increase the effectiveness of Canadian aid and the reduction of the required tied content from 80% to 66⅔%, should help to

make the real value of the aid given more beneficial. There is naturally a desire that even the 66⅔% will also eventually be reduced.

Some concern has been expressed about the timing of projects, in many cases the time from the project proposal, through design, feasibility studies, recommendations and completion is inordinate. More effort must be put into reducing these time delays.

Although Canada offers the softest terms of all countries in loans, Guyana has not been using all the Canadian aid it could because of the requirement of a local cost element.

In technical assistance and personnel, they were very complimentary to CIDA. They do not object to advisors but stress the need for more functional people to do a specific job. They would like smoother operation of aid flow to Guyana. Continuing on aid they then gave their evaluation of the CUSO programme and where they saw the organization fitting into their plans for the future. They said they were happy with CUSO personnel, who work on counter-part salary and come with the least red tape. The position is not tied up with Canadian aid and they want us as long as there is a need. They stated that with the co-operative Republic, Guyana will have no difficulty accepting personnel from other countries. Guyana is a mixed economy; private enterprise, co-operative enterprise and government enterprises. As a result, they foresee no difficulty in Canadians working in the area. They would like to see CUSO working in the area of education, secondary and university, as well as making some technical and medical placements.

Exploration and development of the interior is a priority. We have a geologist with a team of Guyanese doing exploration work, and three agriculturalists in the area. We have received many requests to supply highly trained personnel.

The Canadian presence is felt strongly in Guyana and with few exceptions Canadians are well received.

Tourism, of course, is not a major development in Guyana. The lack of beaches and facilities for travel to the interior do not entice the tourists.

Trinidad is one of the more developed islands and our presence may not be important in the future as it will be in some of the smaller islands. CIDA has eleven teachers in Trinidad, while CUSO has nine. CIDA is moving out of secondary education and will

concentrate on teacher training and technical education. CUSO may be requested to fill more teaching positions.

B. EASTERN CARIBBEAN

The future of the CUSO programme in the Eastern Caribbean is more difficult to assess. It is the government's hope our role will include providing effective and productive technical assistance, since this is their new priority. Seven new technical colleges are being built, supervised and staffed by Britain. Obviously, the British will not (as they indicated to us) be able to staff the colleges totally. They will call upon all agencies to help in this important task.

There are some racial conflicts in the smaller islands. CUSO people have been singled out by local organizations as examples of the white expatriates in favoured positions. The attacks have not been personal, however, we feel it is necessary to assess if the atmosphere is affecting the contribution of the CUSO personnel. At a recent Eastern Caribbean personnel conference, discussions about the role and future of CUSO in the Eastern Caribbean took place. The personnel felt the intensity of conflict, and thus their effectiveness was different in each island.

Canadian influence is paramount in the Eastern Caribbean. Aid projects include teacher training, line teachers, technical teaching, water systems, airports, harbours and recently agriculture research. Our presence is also felt through the banks, insurance companies, real estate. Tourists and businessmen also make our presence evident in the Eastern Caribbean. CUSO's future has been discussed with government officials in Barbados and the Eastern Caribbean.

Generally, there is appreciation for the aid received. The lack of resources on the small islands makes aid at the present time imperative. It is very difficult, according to officials, to design and administer small projects. Most aid agencies prefer to support specific projects.

The administration and burdensome procedures draw on the limited professional and technical personnel in the islands.

Advisors are not always fully utilized in some islands. They want more actual workers doing a specific job, i.e., income tax department.

Line teachers constitute a substantial part of aid grant. Some of the officials would prefer to have CIDA supply more professional

and technical personnel and CUSO could supply the line teachers at less cost.

Health is a serious problem when there is overpopulation. Capital costs are high and there is a tremendous shortage of personnel. The Brain Drain is a major problem. Governments of small islands lament the fact so many of locally trained skilled medical persons leave for the more developed countries. Perhaps Canada could supply more help in the medical field.

The tourist trade is important to some of the islands in the Eastern Caribbean. Since there are almost no raw materials and transportation is costly, government supervision of tourist trade, and more control of the land is desirable. Manufacturing is preferred to the tourist trade, but in places like Barbados, manufacturing is not growing as fast as the tourist trade.

One problem of the government is how to integrate and gain more control of tourism.

One good effect is employment opportunity for good jobs for those who are trained. A new Hotel School is planned and should help in this training. The Government of Barbados has planned for local involvement and is organizing their technical and professional resources for improvement of tourism.

More aid is needed for improvements in Agriculture. Barbados received \$650,000 to conduct a study into using parts of sugar cane extracted through a new procession method of livestock food. This study should be a benefit to other islands.

The islands are satisfied with the performance of CUSO, but they are all more specific about what they want.

C. JAMAICA.

The future of the programme in Jamaica looks brighter than other areas. The need is crucial and utilization is good. The majority of requests for 1970 are in education, with particular emphasis on the junior secondary schools. This is potentially a good field for CUSO, since jobs do not demand extensive academic training. As teacher training facilities expand, their need will decrease.

The Minister of Finance, the Hon. E. Seaga, and the Minister of Education, Mr. E. A. Allan, both emphasized the educational needs of Jamaica—construction of more elementary schools, teacher training facilities and more trained personnel to staff the institutions. The loss of teachers to Canada, U.S. and U.K. is a

strain on the staffing of Jamaican schools. Mr. Allan specifically outlined his priorities in education as primary, technical and junior secondary, and in that order. There is a fear they will not receive enough financial aid to keep up with the expanding needs of Jamaica. He expressed appreciation for CUSO and CIDA in the field of education.

As many other officials in the West Indies, Mr. Seaga again emphasized that the West Indies is a training ground for export of technical and skilled personnel. Canada is receiving a good number of trained personnel from Jamaica and other West Indian islands. With the Brain Drain, the islands are left without sufficient professional and technical personnel. One year Jamaica lost as many medical persons as they trained. The developed countries could put more money in training centres in the West Indies (Jamaica) to help them train a greater number of technical and professional people.

As in other countries, a greater flexibility of aid is desired—there is a great waste of manpower on supervision, study and general administration. The same problems exist as in the Eastern Caribbean. They would like more long term loans and more programme aid.

Too many studies are carried out by donor governments and other agencies; before approving aid projects. They would like more flexibility in the flow of aid and resources, i.e., a broad policy and then bilateral discussions to outline needs. They do not see themselves going ahead as fast as some other countries, and they would like to see more grants given to them to administer according to their immediate needs. A major criticism, the many discussions that take place before positive action. Major conferences take six months to prepare and months before action and time is of the essence in developing countries.

With the number of agencies operating in the West Indies, it is obvious that more co-ordination is needed. In Jamaica, alone, we see German, British, American and Canadian personnel; U.N.D.P.—U.N.E.S.C.O., etc. One gets the superficial impression that there is not an acute shortage of trained personnel. However, Manpower Division tells us projections for the future look bleak. In 1973, there will be a drastic shortage of skilled workers. Emigration drains the field of craftsmen and professional people. The medical emigration will continue in excess of their training. There is no dental school in the West Indies,

consequently, many dentists trained abroad elect to stay in their country of study. There is 1 doctor for 4,000 people and 1 dentist for 20,000 in Jamaica. With the new hospital in Montego Bay opening, 35 specialists will be needed as well as trained nurses. Family planning centres will be looking for more doctors. One hundred and fifty more doctors will be needed in the next five years. Teacher shortage remains. The schools have only place for 50% of the eligible students. A large number of graduate teachers are expatriate. Teacher training institutes graduate approximately 1000 teachers per year.

Ironically, with the drastic shortage of nurses, a team of recruiters from a state hospital in a developed country arrived in Jamaica to recruit nurses. With benefits, salaries and other enticements from developed countries, it is difficult for the West Indian islands to hold their trained and competent staffs.

With the population growth, the manpower division estimates 15,000 persons will have to emigrate each year. The difficulty lies with the selective quality demanded by developed countries.

With the build up of industries and tourist trade in the West Indies, there will be a demand of craftsmen, managerial and technical personnel.

Our future in the Caribbean depends on many factors, but especially on the need as articulated by the governments. This is evidenced by the more highly qualified personnel being required now. Recruitment will have to be improved in Canada to attract the professional and technical personnel now requested. Counterpart salaries make it difficult for us to place qualified persons with families. It may be necessary to supplement the salaries of professionals if we are to continue to respond to the Caribbean's needs.

The Caribbean programme is on a \$262,000 budget for the current year. We have 129 personnel in the West Indies—five field staff and secretarial help with an administrative assistant and secretary in Ottawa. This amount also covers return transportation of personnel to the field, medical costs, orientation and training, settling in grants, salaries and travel for field staff.

Briefly, our budget estimates for 1970-71 are as follows:-

Subsidies	\$ 21,060
Transportation	66,420
Orientation—Canada—Overseas—Training	53,500
Field Administration—3 staff officers, secretary	83,115
Allowances—settling in, resettlement, etc.	62,005
TOTAL	\$ 265,300

The CUSO dollar shows the sources of direct and indirect financial support for 1968-1969.

*Overseas governments and agencies	45%
CIDA	40%
University, Colleges, Advertising media	8%
Fund raising in Canada	7%

Caribbean governments would like CUSO to make a long term commitment to participate in their development plans. We have to be assured of support from the Canadian sector to fulfill such a commitment. Requests are more specific and there is a demand—a demand for experience, training and competence. CUSO has a good reputation in the past. We have reached the time when we must recruit, train and place more competent and experienced people. It is possible that we may not be capable of supplying that resource. In that case, our future in the Caribbean will be decided for us by the governments.

PART II

SOME OBSERVATIONS AND CONCERNS

The Hon. J. Cameron Tudor, then Minister of Education, Government of Barbados said in 1966, at the conference on the West Indies and the Atlantic Provinces of Canada:

"We in the West Indies trust Canada as we do no other power.

She has no imperial past to live down.

She has no great power complex and therefore, no weight to throw around.

She is acceptable to the Afro-Asian States, whose emergence and influence is the most significant factor in international relations.

She understands the problems of unity and diversity.

* Government of Barbados has provided office space for the regional office gratis.

She deals with smaller countries without patronizing them and refrains from telling them how to conduct their own affairs."

It has been the impression of many of our own constituents in the Caribbean program that this particular "trust in Canada" is deteriorating in many areas. Certainly, not yet on a wide scale—but evident with the rise of so-called "underground papers" such as *Abeng*, *Moko*, "Outlet" and even the more academic "New World" publications. More and more West Indians are becoming aware of the existing relationships between Canada and the Caribbean—and whether justifiable or not—feel they are getting the short end of the stick. We are not sure how widespread these feelings are, nor how lasting they will be, but it is evident that criticism both constructive and other wise, is increasing in the West Indies.

There is still a saying in various parts of the West Indies that

If you white—you all right

If you brown—stick around

If you black—stay back

and in the eyes of many people—not only the young nationalists appearing from the universities and Black Power advocates—"all whites are white" and some blacks are also white. In a very real sense there is a growing mistrust of "whiteness", a growing mistrust of Britain, the U.S. and Canada. Again, we are not in a position to say statistically how strong these feelings are but we are encountering more and more of it and we would like to bring it to the attention of Canadians.

We have made various attempts to understand why this hostility and frustration exists. Earlier in this century one could identify it with the rising nationalism, the throwing-off of the "colonial shackles" of "domination" and "exploitation", the growing desire of a people to regain their dignity as a people and as free men. Even in a post-independence period this frustration is not easily dispelled. We all know that this is a difficult task—and even in Canada there are many who believe that we have yet to shed the last vestiges of "British colonialism" and "American imperialism". We are using these words not out of an ideological position which we have assumed but because these are the words we hear often in connection with the Caribbean—with one addition—Canadian exploitation or neo-colonialism.

We would like to discuss some of the areas which various West Indians—both government and outside—have mentioned to us and which may be at the root of what many of us see as a growing hostility. What are the underlying factors which give rise to these feelings?

At the root it seems much of the frustration and increasing animosity is due to a recognition that despite political independence there is no economic independence and perhaps therefore, no true political independence. This, of course, is not a new thesis. Years ago, Martí speaking of Latin America said: "He who speaks of economic union speaks of political union. The nation that buys, commands and the nation that sells, serves. It is necessary to balance trade in order to ensure freedom". For some West Indians, the Caribbean states are more dependent now than they were prior to independence. They are more dependent on trade, tariffs, barriers and regulations, duties and customs restrictions, the G.A.T.T. etc., which were designed, in their view, by the "rich and for the rich".

At the same time we are all aware there is a growing white, or foreign presence in the islands. An expatriot presence, both in business and as tourists, which seems to West Indians, extremely affluent, which intensifies the gap between the indigenous people striving for economic survival and those who bathe in affluence—the traditional gap—the rich and the poor. This affluence, however, this gap, is noticed more by the have nots and, in many senses, the affluence is addictive. The desire to be as affluent is growing and yet this is not easily obtainable. Hence, some of the frustration.

The radicals, however, very often ask us "why is it that foreign business can be extremely profitable in our own countries and we do not *seem* to be able to profit as much. Why is it that Alcan, the banks, the insurance companies, Distillers Corporation—Seagrams Ltd., Sherriffs (Jamaica) Ltd., Colgate Palmolive, Brandram-Henderson (CIL) Ltd., Winnwell Manufacturing Co., (Leather goods), Waterman Leather Products, Bata Shoe, Jamaica Fibre Glass Company, etc. all seem to be very profitable and most West Indians are not".

We all know some of the rationale which would be given in answer—you need capital to invest, you need substantial processing capabilities some of which you cannot have for lack of hydro facilities or exorbitant costs

involved in nuclear plants, you need substantial markets for your products which local firms often do not have, etc.

Be that as it may, it does not satisfy the West Indian who still sees foreigners doing extremely well in the West Indian environment while only a few West Indians are able to benefit. In addition, there is a widespread fear that foreign businesses entering into the Caribbean simply do not result in the addition of new facilities and economic activities. They see foreign firms competing with existing or potential domestic ones and given the much greater power of firms from economically advanced countries like Canada there is some concern that local firms will be driven out of business. In this sense, even the investment of foreign capital is seen by some as harming rather than helping the development of indigenous economic activity. The criticism, of course, is that the profits of a domestic firm are more likely to be consumed or reinvested in the local economy, while foreign firms take these profits back to the home country. This, is the basic thesis of what is now termed economic imperialism—and as most of us are aware, this term has been used in connection with Canadian investment in the West Indies. CUSO is in no way competent to judge the validity of this charge but we are increasingly aware of its existence.

In addition, however, we do see some evidence to support the quotation from Mathew 25:29 which reads:

"For unto everyone that hath shall be given, and he shall have abundance; but from him that hath not shall be taken away even that which he hath'.

And it was Gunnar Myrdal, the Swedish economist, who realized that this bitter quotation from St. Mathew (perhaps the first development economist) was an accurate description of the world market. Myrdal, therefore, has suggested that money, by and large, is invested in safe projects rather than risky ones—i.e. in European and American affluence, not in Caribbean or other Third World poverty. And given the political and social outlook of private business, it is also understandable that the available funds go to private rather than public enterprises and to undertakings in the Caribbean only when they promote a quick profit rather than a balanced growth of the whole society. In this sense, Myrdal suggests that in order to do incalculable harm to the people of the Caribbean, or the Third World in general, it is not

at all necessary that the Western politician or businessman be evil. He only has to be reasonable and realistic.

We are aware also and have had much dialogue with West Indians over the recommendations of the Committee on Economic Development (CED)—one of the more sophisticated and liberal of the business organizations in the United States—who in 1966 recommended that the new nations invest "where the increment in value of product promises to be greatest". This sounds quite sensible to the Western world as does the conclusion that priority should therefore be given to those export industries "that can earn substantial foreign exchange if they can compete with effective industries in other countries..." But to many West Indian economists it is obvious that societies of the Caribbean cannot possibly compete with the giant and advanced industries of Canada, Europe and the United States. It would therefore be a waste to allocate their resources to a modern technological sector which would, after all, only duplicate the achievements of Western factories but at a much higher and non-competitive cost. In effect, the argument goes, it is only enlightened self-interest that tells the poorer countries to specialize in those economic activities that great powers do not bother with... i.e., in primary products. To some of the resource people from the West Indies which we have consultations with, this simply means that "the Caribbean nations are to volunteer for the status forced upon them when they were colonies. We are to do so, not at the point of a gun as in the old days, but in obedience to the "laws" of the world market. These laws dictate that Caribbean countries find some export speciality which suits the needs of the big powers, for that is the only rational thing to do in a system created by, and for, those big powers'. This logic, of course, could easily override any considerations of the needs of the people or the requirements for building a balanced, modern economy.

The concern expressed to us about this kind of "economic logic" is that specialization in primary products really means that the rich nations shall specialize in those activities which make work easier, goods more abundant, leisure more widespread and living standards higher while the poorer nations including the Caribbean are left with the grubby tasks of primary production and faced with a stagnant or declining market. This in turn means that they must sell cheap and buy dear from the booming factories of the West.

Again, if this is the correct interpretation of the contemporary order of the world we live in, it is understandable that frustration and even antagonism is one of the resulting outcomes.

We have noted that you have discussed often the area of tourism as an incentive or contributing factor to economic growth. We would only like to add a few comments which we have received from various West Indian economists and politicians. There is no basic disagreement that tourism can contribute to economic growth—the question which seems more relevant is, whose growth and/or at what price—it is a political-sociological consideration rather than just an economic one. Many West Indians ask “who will reap the benefits?” and “do we want our country overrun by the sun—sand—sea—sex syndrome citizens of the West”. Or as another West Indian put it to us—“there is something very arrogant about Western concepts of tourism—they travel two or three thousand miles to come to our country, but they want to stay in the same kind of hotels they have at home, eat the identical foods they eat at home and have us wait upon them hand and foot. The Western colonial mentality really hasn’t changed”. These are, of course, extreme views and perhaps overly negative. But the basic question of “what price” economically, socially, culturally and politically will have to be paid, is to many, a crucial concern.

There is much discussion in the West Indies, particularly in the more radical groups, about West Indian(ism). A debate which is divided on the issue of whether it is more important to be Jamaican or Trinidadian or other as opposed to being a West Indian. Some mention has been made in previous hearings of this Senate about the wide variation in problems and aspirations of the different Caribbean islands as well as the fact that they are independent states and that therefore, we should perhaps reduce our references to “the Caribbean” as one unit or area. There is, however, a growing feeling that, consciously or not, the old “divide and rule” principle is operative. Some do feel that a united “West Indian voice”—even an economic one—could demand a more equitable return on foreign investment etc. than are the individual states able to do now on a bilateral basis. This criticism is, of course, aimed more directly at their own respective governments

than at Canada but it still generates the kind of frustration which we have been speaking about.

We have also been told that there is a need, perhaps not from Canada but on a ministry level in the West Indies, to coordinate more efficiently the efforts of Canadian assistance. In addition to CIDA and the private companies (and we agree with Mr. Strong and Senator Grosart that this is unfortunate that we do not know the extent nor the sectors into which Canadian private investment flows to the Caribbean) a whole host of other Canadian based groups have programmes in the West Indies—MAWD, CUSO, YMCA, CMA, CESO, churches, etc. There are in addition, many American, British, German, etc. groups also operative. The presence of such a large number of expatriots all “trying to help” has often resulted in tremendous waste and duplication, the result of which means that often expatriots coming to the West Indies find that they have no real viable job, but because of obvious attractions, either financially or environmentally, do not return home. Instead they remain, gainfully unemployed, and the reaction of West Indians is roughly—what a waste. We have found that decentralizing—putting field staff in the Caribbean—has resulted in greater effectiveness in placing Canadian technical assistance personnel in viable jobs. We are happy to see that CIDA has also adopted this procedure at least in Jamaica and Guyana. We have found too that Orientation programmes for Canadians who are going to the West Indies are of tremendous benefit. Prior exposure to West Indian thought, culture, aspirations, frustrations, often makes understanding and adjustment easier. It is perhaps unfortunate that tourists and private investors cannot be given orientation courses.

Perhaps underlying much of the frustration and the growing hostility is the identifiable feeling in the form of a question being asked by West Indians about our presence—whether as tourists, businessmen, CIDA or CUSO personnel—a question which asks basically “are we really being of assistance”. For some we are not. Our presence in the West Indies is benefiting Canada far more than it is the Caribbean. Fortunately, this is not the viewpoint of all—but it is our belief that Canadians could do far more to improve their effectiveness of assistance, in whatever form. For the business community being a “good corporate citizen” and paying taxes

—even if this is all the government has demanded—is not enough. Canadians, including private corporations, must get involved in more positive kinds of developmental activities rather than maintaining the real or imagined exclusiveness of the Caribbean being a Canadian economic club. The antagonisms which are growing, whether in Black Power groups or academic radicals is not directed either immediately or ultimately, it seems to us, at the expulsion of all whites, or all Canadian business. What it is aimed at is the obtaining of control of one's own assets and economic affairs and reversing the exploitative trends which have occurred over the last two centuries and for some it includes the post independent era in which Canada has become more deeply involved.

Many of you will have read periodically the various West Indian papers (not only the underground papers) and noticed with concern as we do, the various themes which have been running through for the last while.

Themes or articles which are evidence of the increased public concern in the West Indies about their own development. Such headings as "Do not Opt to "sell out" to any Foreign Governments", November 5, 1969 Antigua Star; "W.I. Must Counter Economic Threat" December 4, 1969 Advocate; "Count First the National Cost", December 6, 1969 The Voice; "Imports Still W.I. Bugbear", December 7, 1969 the Advocate-News; "Closing Gap of Colonial Past", November 30, 1969 Advocate; "Growing Frustration with U.K. in Caribbean" November 6, 1969 Guardian; "Dependency Unchanged Since Independence", Antigua Star; "Colonialism Has New Meaning" and so on. Even in Canada the press has a growing awareness that all is not well with present relationships.

Although this portion of our presentation has perhaps focussed on the more negative factors of Canadian/West Indies relationships, we do not feel it has unduly so.

CARIBBEAN CUSO PERSONNEL

Appendix I

	1962*	1963*	1964	1965	1966	1967	1968	1969	Total
Antigua.....	—	—	1	2	4	6	4	5	22
British Honduras.....	—	—	—	1	—	—	—	—	1
Jamaica.....	2	12	16	10	21	31	30	31	153
Grenada.....	—	—	3	2	2	2	4	—	13
Dominica.....	—	2	—	—	—	2	1	—	5
Guyana.....	3	3	3	—	13	23	17	9	71
St. Lucia.....	—	—	3	—	4	3	5	4	19
Carriacou.....	—	—	—	—	—	—	1	—	1
Trinidad.....	1	2	—	8	13	5	7	3	38
St. Vincent.....	—	—	2	—	1	—	3	2	8
St. Kitts.....	—	1	1	—	—	—	—	—	2
Tobago.....	—	—	—	—	—	2	3	1	6
Grand Cayman.....	—	—	1	1	—	1	—	—	3
Montserrat.....	—	—	—	—	—	—	2	—	2
Barbados.....	—	2	1	1	4	6	13	7	34
TOTAL.....	5	22	31	25	62	81	90	62	378

*CVCS Personnel.

Appendix II

	1962*	1963*	1964	1965	1966	1967	1968	1969	Total
<i>Education</i>									
Teachers.....	2	9	22	22	45	62	59	47	268
University Lecturers.....	—	—	—	—	1	1	1	1	4
Home Economists.....	—	—	—	—	1	—	1	—	2
Librarians.....	—	—	—	—	—	1	—	—	1
<i>Health</i>									
Nurses (Including Tutors).....	—	—	3	1	6	6	4	4	24
Lab Technicians.....	—	—	—	1	—	2	2	2	7
X-ray Technicians.....	—	—	—	1	—	2	2	—	5
Physiotherapists.....	—	1	—	—	—	—	1	—	2
Pharmacists.....	—	—	1	—	—	1	—	1	3
Radiologists.....	—	—	—	—	—	1	—	—	1
Dental Technicians.....	—	—	—	—	—	1	—	—	1
Dental Hygienists.....	—	—	—	—	—	—	1	—	1
Dietitians.....	—	—	—	—	—	—	1	—	1
Nutrition Technicians.....	—	—	—	—	—	—	1	—	1
<i>Technical</i>									
Architectural Technologists.....	—	—	—	—	1	—	—	—	1
Engineers.....	—	—	—	—	1	—	4	1	6
Civil Engr'g Technologists.....	—	—	—	—	—	—	2	—	2
Geologists.....	—	—	1	—	—	—	—	1	2
Draftsmen.....	—	—	—	—	—	—	1	1	2
Town Planners.....	—	—	—	—	—	—	1	—	1
Computer Specialists.....	—	—	—	—	—	—	1	—	1
Instrumentation Technicians.....	—	—	—	—	—	—	1	—	1
<i>Social/ Youth/Community Work</i>									
YM/WCA.....	2	8	—	—	2	—	1	—	13
Youth Workers.....	1	3	2	—	—	—	—	—	6
Social Workers.....	—	—	—	—	—	2	—	1	3
Community Development Workers..	—	—	—	—	—	1	—	—	1
Probation Officers.....	—	1	1	—	1	—	1	—	4
<i>Agriculture</i>									
Agriculturalists.....	—	—	—	—	2	—	3	—	5
<i>Other</i>									
Administration.....	—	—	1	—	2	1	2	3	9
TOTAL.....	5	22	31	25	62	81	90	62	378

*CVCS Personnel.



Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 8

TUESDAY, MARCH 3, 1970

Respecting
THE CARIBBEAN AREA

WITNESS:

Mr. Roy Matthews, Acting Executive Director, Private Planning
Association of Canada.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Alister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable Senator MacDonald moved, seconded by the Honourable Senator Smith;

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, Wednesday, February 18th, 1970.

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Senate Committee on Foreign Affairs have power to sit during adjournments of the Senate.

The question being put on the motion, it was—

Resolved in the affirmative.

MINUTES OF PROCEEDINGS

TUESDAY, March 3rd, 1970.

(9)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 11.10 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Carter, Connolly (*Ottawa West*), Eudes, Fergusson, Grosart, Laird and Robichaud. (8)

Present but not of the Committee: The Honourable Senators Isnor and Smith. (2)

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee continued its study of the Caribbean Area.

The Chairman (Senator Aird) introduced the witness:

Mr. Roy Matthews,
Acting Executive Director,
Private Planning Association of Canada.

On Motion of Senator Robichaud,

Resolved: That the Committee seek from the Government a copy of the document setting forth the "Terms of Reference" to the Private Planning Association in connection with the contract study for the Canadian Government entitled "The Implications for Canada of a Canada-Commonwealth Free Trade Arrangement". (*Later filed as Exhibit "E"*)

The witness tabled the following documents:

- (a) A contract study for the Canadian Government by the Private Planning Association of Canada, entitled "The Implications for Canada of a Canada-Commonwealth Caribbean Free Trade Arrangement" (*Exhibit "C"*).
- (b) A contract study prepared by Mr. Roy Matthews for the Canadian International Development Agency, entitled "Ways of Increasing the Involvement of Canadian Private Interests in the Developing Countries" (*Exhibit "D"*).

The witness was thanked for his contribution to the Committee's work.

At 1.05 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, March 3, 1970

The Standing Senate Committee on Foreign Affairs met this day at 11.10 a.m.

Senator John B. Aird (*Chairman*) in the Chair.

The Chairman: Honourable senators, one of the main concerns of this committee throughout our entire inquiry has been to assess the present and potential role of trade in Canada-Caribbean relations. Trade questions were a major topic at the 1966 Commonwealth Caribbean-Canada Conference in Ottawa, and out of that conference came a commitment that the possibility of a freed trade area would be studied.

In our meetings with government officials last year we were informed that the Canadian Government had commissioned the Private Planning Association of Canada to carry out a preliminary analysis. We are very glad that this study, entitled "The Implications for Canada of a Canada-Commonwealth Caribbean Free Trade Arrangement," has now been made public and can be examined by the committee. I think you have all been advised that the full text is available. If this committee might take some vicarious credit, I think it was due to our questioning of the respective Ministers of External Affairs and Trade and Commerce that resulted in the publication of this document.

We are particularly fortunate to have with us this morning Mr. Roy Matthews, who is Acting Executive Director of the Private Planning Association of Canada and was closely involved with the preparation of this report. A biographical sketch of Mr. Matthews has been circulated to members, with some additional material on his association.

I might also mention in passing that it was the Canadian Trade Committee of the Private Planning Association that sponsored a book entitled *Canada-West Indies Economic Relations* by Levitt and McIntyre. You will recall that this was one of the foundations of our

study, and all members of the committee have had an opportunity to study this publication.

This morning we have invited Mr. Matthews to talk about the future economic relationship between Canada and the countries of the Commonwealth Caribbean. He will base his remarks largely on the experience and findings of the free trade study. While recognizing all the difficulties involved, however, I hope we may be able to induce him to speculate about likely trends in trading patterns over the next few years. This, of course, is what we are primarily interested in. We do not underestimate the complexity of these issues or their long term importance. I think Mr. Matthews will be able to assist us today in our efforts to deal with them effectively.

I believe, Mr. Matthews, you met all the senators on your arrival. Our plan is that Senator Robichaud will lead the questioning; he will be followed by Senator Grosart, and I will, of course, entertain any other questions from senators as we proceed.

We welcome you very much, Mr. Matthews. Although you and I have not had much time to discuss the plan of these meetings, I hope that you might at this time be prepared to make a few introductory remarks and then we will have the question period.

Mr. Roy A. Matthews (*Acting Executive Director, Private Planning Association of Canada*): Thank you, Mr. Chairman. I was going to start by making a few remarks about myself and what I represent. I think that has already been done by the Chairman and by a biographical note which I gather is in your hands, honourable senators, so I will skip that save to say just a word about the Private Planning Association of Canada.

I gather you already have some sort of material on the association, but since it operates under such a mysterious and enigmatic name, which confuses everybody, I should perhaps just say that it is a private, non-profit, economic research organization which

operates primarily through the medium of committees of senior businessmen, labour leaders, representatives of agricultural federations, provincial bodies and that sort of thing—people entirely from the private sector. But in addition to those committees it does carry out a certain amount of other work in a different fashion. One example of this different type of operation will be described when I indicate how we came to undertake this study that you have before you.

Senator Connolly (Ottawa West): How long have you been in existence?

Mr. Matthews: Since 1958. Some papers might suggest 1957. There is some question when the foundation stone was actually laid.

Senator Connolly (Ottawa West): Your publications have been coming out regularly; even several times a year, occasionally.

Mr. Matthews: That is right.

Senator Connolly (Ottawa West): Most of the senators have been getting those publications, have they not?

Mr. Matthews: I believe all senators and all members of Parliament are on a complimentary mailing list to receive everything produced.

As the Chairman indicated, the association first became interested in the West Indies in 1966-67 when its Canadian trade committee sponsored a study of Canada-West Indies economic relations by Kari Levitt from McGill University and Alistair MacIntyre of the University of the West Indies, Jamaica.

Some time after that we were approached by the Department of External Affairs, acting, I believe, on behalf of several federal Government departments, to undertake a study of the specific question—quite often entered into in a discussion of relations between Canada and the West Indies—whether there was a case for some sort of free trade arrangement between the two regions.

I don't think I need to go into the background to that kind of consideration now. I will allude to it later on and doubtless in the question period we will have some discussion about the rationale, the motivation for the belief that a free-trade arrangement between these two regions might be desirable. But I will not concentrate on it now because I think you are fairly familiar with this kind of argument.

As is the normal practice of our association in undertaking its work, we assembled a team of people to do this job. We have a very small staff in our office in Montreal and we normally undertake studies by using people from outside, usually from the universities, in an effort directed, co-ordinated and supervised from our office but with one or more of the authors being outsiders. This is a typical method of our operation; such outsiders work for a fee.

In this case one of the outsiders was Professor George Doxey of York University in Toronto, who at that time was teaching at the University of the West Indies, in Barbados. Indeed, I believe he still is there. I am not sure whether he is back.

The Chairman: He appeared before this committee.

Mr. Matthews: Yes, I think so. We also included in the team Professor Ronald J. Wonnacott and a graduate student of his, Mr. R. W. Baguley, both of whom are from the University of Western Ontario in London. There is a particular reason for choosing them which I will mention in a minute. In addition, we commissioned Saguenay Shipping Limited, and essentially this meant their economist, Mr. Peter Smith, to undertake a particular assessment of transportation costs and rates and considerations, which of course was a crucial element in the study.

I said I would refer to the particular qualifications of the two men from the University of Western Ontario. Ronald Wonnacott is one of the people who have taken a close interest in the idea of a Canada-U.S. free-trade arrangement. He and his brother Paul Wonnacott, who teaches in the United States, have undertaken pioneering work on this possibility, and, although a Canada-West Indies free-trade arrangement would, of course, be a very different kind of animal, with much smaller implications and so on, and the position of Canada would be reversed in that it would be the major partner in that arrangement whereas it would be the minor partner in a Canada-U.S. arrangement, nevertheless, the methods employed for this sort of assessment suggested to us that Professor Wonnacott, who is a very good economist, would be a suitable person to be involved in our team.

So that was the way it was done.

Now, we organized the study in approximately this fashion: first we looked at the

present patterns of trade; then we looked at trading prospects in the absence of a free-trade arrangement. And these two chapters were essentially written by George Doxey. Then we looked at the implications of a free-trade arrangement for primary industries, with particular reference to agriculture, and that was a staff job. That was mainly my work. The next chapter was on the implications for manufacturing industries, and that was done by Professor Wonnacott with the help of Mr. Baguley; it is one of the really crucial chapters in the whole study. Then we had two chapters on the experience of the Puerto Rico-U.S. relationship and its relevance to a Canada-West Indies trading arrangement.

I will have some more to say about that in a moment.

Finally, there was a concluding chapter followed by appendices on freight rates, on the main provisions of the Caribbean free-trade area, CARIFTA, and on tax incentive legislation in Puerto Rico, plus a fair amount of tabular material and so on.

I apologize for going into that at some length, but the structure of the layout of the study reflects my own thinking on the whole question.

As suggested by your Chairman, I am going to deal quickly with the different elements in the study, hoping that we can open up the details in discussion. But I will touch on a few things, if I may, at this point.

In an introductory chapter we dealt with certain preliminary background questions that are obviously important. We did concern ourselves with the rationale for a Canada-West Indies trading arrangement, the problem of small size of the Caribbean economies and the way in which this problem had led them to consider various types of regional trading arrangement, particularly, of course, within the Caribbean area, which you no doubt know of, which led them also to look outside the Caribbean region. Indeed, the tradition of the Caribbean region has involved looking outside the area for a long while and for many purposes besides the possibility of establishing trading arrangements. As you all know, there has long been a special link between the Caribbean countries and Britain, and periods of time when they have looked to the United States for various kinds of assistance and support and outlets for emigration, and so forth; and I think that Canada, to a

degree at least, is the third country to which the West Indian islands traditionally look.

We led on from that concern, with the need for a larger economic context in which to operate, to the relevance of a Canada-West Indies trading arrangement, and that drew us naturally in this introductory chapter to considering what one really meant in reference to the possibility of a free trade arrangement. What, for this purpose, did free trade mean? Was one concerned purely with the import tariff, or did one wish to draw the parameters of this problem wider than just the import duty?

We did not come up with the complete answer, but it seemed to us quite clear that one would be dealing with the question inadequately if one limited oneself to the import tariff, since with many products there are other elements in the situation far more significant to their trade than the tariff. To cite just a couple of examples, the West Indians have long suggested that certain aspects of provincial purchasing policies in the rum business operated against their maximum interest, and this kind of consideration would be very little affected by changes in tariffs. Likewise, the banana trade operates within the context of very large international corporations like the United Fruit Company, and they decided the most appropriate marketing region for the bananas they draw from the West Indies, Central America, and so on, to a considerable measure in terms of corporate considerations which would be affected only to a limited degree by changes in the import tariff.

So, you have these different concerns which frequently nowadays are grouped under the blanket heading of "non-tariff barriers," which I think is really a misnomer—non-tariff distortions to trade or factors at any rate which for many purposes are more important than the tariff. So it seemed to us essential to red flag that concern right away, since free trade very often tends to be discussed as if it meant only the elimination of the import duty as such.

We also dealt with the question which obviously is very important in this whole matter: What does free trade mean as between the West Indies and Canada? Does it mean mutual elimination of tariffs and other barriers to trade on both sides? Is it realistic to talk about the Caribbean countries, which have rather protected, vulnerable markets,

eliminating their tariffs and other barriers to imports from Canada, or are we really talking about a one-way deal or essentially a preferential deal in which perhaps Canada would be looking upon this as a species of foreign aid and would be providing opportunities for West Indian products in the Canadian market, but not expecting full reciprocity in Caribbean countries? We could not reach any firm conclusions about this, because that is a question for government to answer and something that would be hammered out at a negotiating table, but we suggested the considerations that would influence a decision in regard to the nature of the trading arrangement in that respect.

With that sort of preamble, we proceeded into the main chapters of the study, and I will just touch on a few aspects of the things we looked at quite briefly, if I may.

First of all, we looked at the primary industries, and in particular agriculture. The Caribbean countries are heavily dependent upon primary products and upon primary products trade. So, on the face of it, one might expect this is the area in which there was most to be gained from a free trade arrangement.

There are a few figures here, beginning at page 38. About 40 per cent of Canada's total imports from the Commonwealth Caribbean consist of bauxite and alumina, about another 40 per cent of sugar, and 10 per cent or more of petroleum; and even the remainder consists quite heavily of different kinds of agricultural products. So, as you can see, a very high proportion of our imports from that region are primary commodities.

Dealing just with that aspect for the moment, the prospects for imports by Canada from the Commonwealth Caribbean, one might suppose at first glance this was where there was growth potential were there free trade. However, I think on closer examination it is not so clear that this would be the case. The markets for alumina and petroleum are essentially determined by factors independent of import tariffs and similar trade barriers, or very largely independent of those kinds of factors.

These are commodities traded by and, as it were, within the structure of very large international corporations, and the more you examine the considerations that affect the trade in those kinds of products the more you are led to conclude that the freeing of trade

will be a relatively minor element in the structure of exchange of these kinds of commodities between the Caribbean and Canada.

If one moves to agriculture, the large item, of course, is sugar, and sugar is essentially a problem of commodity agreements between governments which would not be affected very greatly by changes in import tariffs and trade restrictions.

Rum is another big item, and, as I mentioned earlier, it is largely a matter of the purchasing policies of provincial liquor boards. It is not really a trade and tariff item in the conventional sense.

The trade in bananas is to a considerable extent influenced by the nature of the marketing arrangements and alignments of these very large multi-national corporations, and the wholesaling-retailing networks that are associated with them.

We had a number of things to say about the problems of trade in these types of commodity under a free trade arrangement, but it is hard to see that tariffs or other conventional kinds of trade barriers are the essential elements affecting trade in those types of products.

If you get on to some of the other items, such as citrus fruits, juices, vegetables, tropical and exotic fruits, and livestock, it is possible that tariffs and other traditional types of trade barriers are more significant in the trade of the region with Canada, but even there it is clear that other factors are far more important. It is clear that what you really have in the West Indies is a particular kind of agricultural sector, which is virtually a peasant agriculture, for many of those products that I last mentioned—that is, tropical fruits, vegetables, livestock, and things of that kind, and even bananas to some extent—and you run up against something that is being described by West Indian economists like Havelock Brewster and Clive Thomas in the following terms:

Any attempt to examine the agricultural economy of the West Indies, no matter how superficial is the intention, immediately brings to light some of the complex and varied factors which have prevented its successful transformation into a modernized and efficient economic sector. Some of these problems (e.g., the insufficiency of the flow of capital funds) are found to be common to the entire West

Indian economy. Some (e.g., the problems of water control) are more or less specific to the agricultural sector, whilst there are others (e.g., the problems of rural organization) which go to the root of the society and involve us with fundamental historical, social, political as well as economic considerations.

The Chairman: For the benefit of the committee, that quotation is to be found at page 48 of the brief under the heading "General Considerations".

Senator Grosart: Mr. Chairman, may I comment here that we seem to be into our old problem of having a reading of a brief we have already read. I am just wondering what the practice is going to be.

The Chairman: I was about to suggest to the witness, Senator Grosart, that in the interests of time he should go into the details of the specific headings. This brief, Mr. Matthews, is in our hands and is available. I would suggest that you conclude your introduction. I know that when we get into the question period you are going to find yourself back into the brief in order to answer the questions. May I ask you to proceed in that fashion so that we may get along to the questions?

Mr. Matthews: If you have read the brief then there is very little more for me to say, but perhaps I should summarize what you are well able to draw out of the study for yourselves. This will do no harm, and I shall take only a few seconds to summarize what I feel are the broad conclusions.

It would appear that there might be some relatively limited but interesting opportunities for the Caribbean countries in the Canadian market for a few manufactured items particularly, it appears, in the textiles and apparel fields. In the reverse direction there are few evident opportunities for Canadian exports to the Caribbean countries under free trade. There is some evidence in the paper that suggests that certain kinds of chemicals might be in this category, and, surprisingly, certain kinds of furniture. But it would probably be small amounts of many things with no clear dramatic advantage occurring to any Canadian industry, but only small opportunities for a large number of industries.

On the former of these two elements, the opportunities for the Caribbean countries in

the Canadian market, whether it be in textiles, apparel or other items, it seemed to us that one of the crucial considerations that would determine whether or not there was an opportunity was whether Canadian, or possibly American or other, shall we say, developed country capital could be attracted to the West Indian islands to establish the factories that would manufacture those products for shipment primarily to the Canadian market. If you have read what is said in the study about that you will know what I am getting at, the feeling that there are not large reservoirs of capital, management skills, entrepreneurial energy and so on in the West Indies. Particularly since we looked rather closely at the Puerto Rican-United States case, we felt, maybe wrongly, that it was unlikely there would be major employment of the opportunity provided by free trade unless it were accompanied by a considerable inflow of capital, management, entrepreneurial skills and so forth from Canada, or possibly from the United States or some other western country whose industries saw the opportunity that free trade with Canada would provide for them to establish plants in that region.

The Chairman: Thank you very much, Mr. Matthews. We will now turn to the questions.

Senator Robichaud: Before proceeding with the questions, I might say that I had the opportunity to read this voluminous and informative report, in which I notice you stated that those who prepared it decided to steer a middle road in their approach to the project, which we all know is complex. There is a complexity of issues, which have been studied before this by politicians, governments, businessmen and others. I also noticed throughout the report a feeling of perhaps uncertainty about what should or could be done, and even of frank pessimism in the different conclusions reached. I know you have touched on this, but before I proceed to the questions could you tell us the precise terms of reference given to the Private Planning Association by the Canadian Government when the request was made for you to proceed with this study? Were there precise terms of reference or were they rather general?

Mr. Matthews: They were rather general. We received a two-page letter, which unfortunately I do not have in front of me, which included, I would say, 12 or 15 items that the

Government said they would like us to examine in considering the implications for Canada of a Canada-Commonwealth Caribbean free trade arrangement. These items were very varied. They were interested in our examining, at least in a general way, the implications of such an arrangement for the existing special trade arrangements between Canada and the Caribbean countries; examining en passant the relationship between the Caribbean countries and Britain, and whether this would influence that relationship in any way. Another item concerned the possibility that all or some of the Caribbean countries might be interested in becoming associated with the Latin American Free Trade Association or the Central American Common Market. There were quite a lot of little elements that it was suggested we might look at in one way and another as we proceeded. I think the only really specific consideration was that they wanted us to look at the implications of a free trade arrangement between Canada and the Commonwealth Caribbean, and they wanted us to look at it from the Canadian point of view and not from the Caribbean point of view.

The Chairman: Would the Private Planning Association have any objection to this document being made available to this committee?

Mr. Matthews: No, we would have no objection whatever.

The Chairman: In my view, honourable senators, we should request the Government for a copy of this letter of instruction. Are we agreed?

Hon. Senators: Agreed.

Senator Laird: Was there any reference to the tourist trade?

Mr. Matthews: I do not believe there was any reference to the tourist trade, no.

Senator Robichaud: I notice from the report there is quite a different conclusion as to the implications of free trade for, say, the primary industry compared to the manufacturing industry. For example, on page 55, in the chapter entitled "The Implications of Free Trade for Primary Industry" it says:

So far as West Indian exports to Canada are concerned, the principal existing restraints to trade are not, in most cases, import tariffs, which are generally low or non-existent.

Further down, in the next paragraph it states:

On the whole, the prospects for substantial expansion of West Indian exports of primary products to Canada do not appear great, at least in the short run, even with fully open access to the Canadian market.

On the following page, in the last paragraph we read:

The author of this chapter has no hesitation in admitting that he finds it impossible, in the face of such a complex of imponderables, to assess the eventual prospect for Canadian primary-products exports under a free trade arrangement with the Commonwealth Caribbean. He is prepared to surmise only that, while the increase in export opportunities might ultimately prove to be substantial, in the short term it would be modest at best.

In Chapter 5, "The Implications of Free Trade for Manufacturing Industry", on page 75 the report says:

Free trade is, indeed, the key to the problem, both as an inducement to structural change and as a means of providing the outlet that such a restructured industry must have as its *raison d'être*.

Now, the conclusions are so different, so far apart, that I would appreciate it, Mr. Matthews, if you could elaborate and tell us why there are such different conclusions regarding primary industries and manufacturing industries.

Mr. Matthews: Yes, certainly. First of all I would just like to say that I do not believe this latter sentence you read is a conclusion in the sense that I don't believe what was being said there is that free trade is the key to the problem and that free trade would open that door and everything would be wonderful.

Senator Robichaud: That is exactly why I am asking the question. I had that reaction to it.

Mr. Matthews: It says that free trade has the potential to be a key to enable the West Indies, at least, to have the possibility of escaping from their small market, highly subdivided economy—an economy of very small units, turning out small runs of large numbers of products. Free trade in some contexts

would enable them to develop a more specialized economy with longer runs of fewer products, and in theory, at least, they would escape from the problem they have.

But that is free trade in general. Some form of free trade could provide the key. I think that, if you read on, it is suggested here that free trade with Canada would, in practice, provide only limited opportunities for those kinds of manufactured products.

Senator Connolly (Ottawa West): Because of the small size of the Canadian market, I suppose.

Mr. Matthews: Yes, and because of the remoteness of the Canadian market so that there is a large transportation cost to be overcome and also because, as in all these kinds of considerations, you have a very different problem of how you move from here to there. If you could establish overnight the kind of environment, the kind of free-trade milieu which would be this sort of Utopia, and the capital that would enable the entrepreneur in the Caribbean to establish large plants, utilizing his low labour costs and exporting to the big metropolitan market of Canada, then he would have a great opportunity. But, in fact, he has now established, whether it is good or bad, small industries that are very vulnerable and which would involve a very great deal of difficulty in transforming the structure of their production to this new type of situation.

However, this is, in a sense, preamble. In broad terms there is a decided distinction to be made, so far as we can see, between the primary sector and the manufacturing sector. In the primary sector tariffs are quite low or non-existent and the sorts of problems that beset the primary sector in the Caribbean and its trade are rather endemic to the West Indian situation—the peasant agriculture, the rather primitive marketing techniques, the highly complex matters of corporate relationships and the business of commodity agreements for sugar and so on—and could not be answered through a free-trade arrangement. They would have to be worked out in some other fashion. Whereas on the manufacturing side you do not have those kinds of problems to the same extent. You have more of the straight-forward, industrial difficulty—small scale business, little markets, and so on. The tariffs are relatively high in Canada vis-a-vis all other countries for many of these prod-

ucts, and, if the Caribbean countries were given a special arrangement where those tariffs did not exist, they would have at least the possibility of moving large amounts of products to Canada.

So in the one case you have a fairly clear opportunity at least; but in the other case, by and large, the opportunity does not exist because it is not these kinds of conventional trade barriers that are the essence, the key, to the problem.

Senator Robichaud: Has this report been brought to the attention of the Caribbean countries? If so, Mr. Matthews, are you aware of the reaction to it? The report is very informative and has valuable information.

Mr. Matthews: This report was undertaken on a contract basis for the Government, which is a different type of arrangement from that which we normally have or most commonly have when producing something for the Canadian Trade Committee or that kind of system. Thus, as soon as it was done it was given to the Department of External Affairs. It was their property and we were not at liberty to distribute it to anybody. My information from them is that they were considering it for a long time and did not release it. Fairly recently—a matter of a few weeks ago, I was told that they had not exactly released it but that they had sent copies to the high commissioners in the Caribbean countries with instructions that they might release it to anybody who requested it. So it has been kind of semi-released.

Thus, I really do not know to what extent it has been presented to the Caribbean governments or what their reactions to it would be.

Senator Robichaud: I will put my question on a different basis, then. The people preparing this report must have consulted with individuals in the Caribbean. What was the reaction of those who were interviewed or who were asked for information? Were they enthusiastic about it or were they pessimistic?

Mr. Matthews: May I ask you to clarify whether you mean were they interested and enthusiastic about our doing a report or were they interested and enthusiastic about the idea of a free-trade arrangement between Canada and the West Indies?

Senator Robichaud: Let us include both. Were they interested in your doing the report

and also about the possibilities or advantages that could be offered by a free-trade arrangement between the two regions?

Mr. Matthews: I did not put you off, did I?

The Chairman: You now have two questions, Mr. Matthews.

Mr. Matthews: I think they were, on the whole, quite interested in the fact that we were doing this study. I think they are, on the whole, fairly skeptical about the prospect that such an arrangement would be politically feasible and that it would yield them great benefits.

They are now very much preoccupied—at least they certainly were when I was there and still are, no doubt, very much preoccupied with CARIFTA, with a free-trade arrangement within their own region. But I think the idea of an arrangement with Canada was thought to be many years off.

Some of them said, "Well, maybe when we have this one all set up we might be more interested in looking to Canada. This would be a good second thing to look at, but it is some years off." That was the feeling I received. Some of the people who were more receptive to the idea said, "Really, this is something we should definitely consider as Stage 2, because the region we are linking together in the Caribbean would still be a very small region, and economies of scale, etcetera, that would be achieved in that region are quite limited, so there is still a great deal to be said, even after we have received CARIFTA, for finding a way of linking ourselves with one or more large external metropolitan markets. So we should look at it now, and we are very pleased you are looking at it." The more pessimistic would say, "Yes, but it is years away," but no one was opposed to our doing the study or considering that possibility.

Senator Robichaud: Did the nature of the interest vary from one country to another? Was there more interest, say, exhibited in Trinidad or Jamaica than in the smaller islands?

Mr. Matthews: I did not have an opportunity to go to a great many islands. I went to Jamaica, Trinidad and Barbados. I would not say I discerned any significant difference between the views expressed as between the

islands. I think I perhaps did not have the opportunity to stay long enough periods of time; I was only there for a short time on two occasions. Moreover, many of my conversations occurred, for example, in the University of the West Indies, in Kingston, Jamaica, and I would be talking to professors from various of the islands. An individual might be from St. Lucia even though he was studying in Jamaica, so I could not really discern any clear pattern as between one island and another. It might have been there and I just was not astute enough to notice it.

Senator Connolly (Ottawa West): I really gather from what you are saying that you feel, certainly in the short term, the prospect of industrialization in the Caribbean area is not a very bright one.

Mr. Matthews: They are enjoying a limited amount of industrialization now, of course, and the market in Jamaica and in Trinidad is relatively large, by the standards of those little islands, and relatively prosperous, by the standards of any so-called underdeveloped country, because they are really almost at the borderline between underdeveloped and developed, in terms of the rather rough criteria that are used for this calculation. So, those two islands clearly could support some sort of limited manufacturing activity, and are doing so; but large-scale industrialization seems to me unlikely.

Senator Connolly (Ottawa West): Or widespread?

Mr. Matthews: Or widespread, yes.

Of course, this was really the fascination of the job, that one cannot help but wonder whether there are not some of the elements in those islands which could lead to a Hong Kong, but you are almost getting into a speculation of a non-economic kind when you ask what makes Hong Kong Hong Kong. It is a most extraordinary phenomenon. It is clearly a kind of spark that has made things go in that particular region which is most unpromising as a centre for large-scale manufacturing activity on the basis of most things an economist would normally look at, yet in which the growth is fantastic.

One speculates about that in the Caribbean, given their low wages and their well-educated labour force—not too energetic, I suppose, by North American standards, but certainly not without considerable resources of energy

and initiative. I think anyone who has been down there has felt these are rather interesting societies with a lot of get-up-and-go, and one just wonders if the kind of arrangement that we were considering here just might not provide the spark that would really give them the opportunity for manufacturing for the export market, because that is the only thing that would really lead to their developing big industrial potential. Otherwise this tends to be small because they are such very small islands with relatively little population.

Senator Robichaud: Reference has been made in the report regarding investment for the expansion of manufacturing industries. One specific recommendation, which is on page 113, states:

It is therefore suggested that the Caribbean area might be made the spearhead of a first major effort by the Canadian government to arouse the interest of business in investment in a developing region.

On different occasions before this committee we have been given serious reasons to doubt that such major private investment from Canada would be welcomed by certain segments, at least, of public opinion in the Caribbean. Would you mind expressing your personal views on this point?

Mr. Matthews: Yes, I think it is a question whether they would welcome large-scale foreign investment. Sectors of opinion—I think you used some such expression—certain sectors of opinion clearly would oppose large-scale foreign investment. Whether those sectors are large enough and influential enough really to weigh in the balance is the question.

Senator Robichaud: Would it come from business or the ordinary class?

Mr. Matthews: I would think, as in so many similar situations in the modern world, it is probably the young, the partly educated, the students, the kids who are ready at the drop of a hat to throw a brick through a window of the nearest foreign corporation...

Senator Robichaud: Even the banks?

Mr. Matthews: Yes. I would doubt whether the governments, certainly in most of the islands, would be opposed, but clearly a substantial sector of the intellectuals would be. Some of them were not terribly pleased—and

maybe I should have mentioned this earlier, in reply to one of your earlier questions—when we hinted that we would like to take a look at the Puerto Rico-U.S. analogy; some of the people we spoke to did not think that at all a good idea.

Senator Robichaud: Particularly in Guyana.

Mr. Matthews: I did not visit Guyana, but in the case of the islands I did visit I would say that many people, particularly in the universities, and so on, looked at Puerto Rico as being a rather unhappy case of almost selling one's soul for a mess of dollars. I do not think it is entirely fair, but clearly there is tremendous national pride, as I am sure you gentlemen know if you have ever visited there, and some of that national pride takes the form of opposition to the involvement in their economy of foreign corporations. This is a typical situation that we see in other places, and some of them not so far from this room. But, I feel that the large so-called multi-national corporations really have a potential, if anything in the modern world has a potential, to provide some countries in the underdeveloped world with the big opportunity.

If I might depart slightly from the question, it is interesting to see the extent at the moment to which American companies are establishing plants in Japan, Taiwan, Hong Kong, Mexico, and other countries where wages are relatively low, to build or assemble various kinds of products which are then largely exported to the United States. Toys are one example. One company's branch in Taiwan produces a toy, and 90 per cent of its production is sold in the United States. It pays them to operate in this way because the labour component is high, and labour costs are low in Taiwan. There may be opposition to that process in Taiwan—I do not know—but it is also interesting to note that there is opposition from American labour because Americans are being robbed of these jobs.

Senator Carter: I was in Taiwan last October. Timex was then moving its operations into that country, and it was being welcomed with open arms.

Mr. Matthews: To some extent this is occurring in countries which are on the fringe of the developed world. They are close by. Taiwan is some distance from the United States, but it is a straight haul and ship transportation is cheap. But, in Mexico it is going on just over the border. They talk

about the border industries. The same thing might happen in Europe vis-à-vis North Africa and certain parts of the Middle East, and in Japan vis-à-vis Southeast Asia. It seems to have some potential for these fringe areas of the underdeveloped world, and the West Indies lie in that fringe area.

I think it is a fascinating question for the years ahead as to whether a major breakthrough can be achieved in development problems through the medium of the multinational corporation and its ability to establish plants where the economic factors suggest is the best place to go, or whether there will be political opposition in those countries for one kind of reason, or from labour for another kind of reason. That sort of process really has great potential towards a solution to the development problem.

The Chairman: Mr. Matthews, I do not consider that reply a diversion in any way. You will recall that in my introductory remarks I said that you should speculate, and I think this is the kind of answer Senator Robichaud was seeking, particularly as it related to the Caribbean.

Senator Grosart: Like Senator Robichaud, I noticed what appear to be some contradictions in the brief. Perhaps this is because different sections were written by different people and there is, therefore, an inconclusiveness. I am not criticizing this; I am merely saying it seems to be there.

For example, if I might make one contrast, on page 3 we have the statement that free trade with Canada is one of the more appealing possibilities of this kind, and on page 4 we have the statement that a Canada-Commonwealth Caribbean free trade scheme seems to be within the realm of the politically possible.

There are many contrasts with that, but to take one of the conclusions on page 114 I read what seems to be an opposite, because there you say:

... there is probably no great opportunity for significant expansion of the agricultural sector as a direct consequence of free trade with Canada.

And on the next page you say:

... Canada-Commonwealth Caribbean free trade would not be sufficient to bring about any spectacular economic progress in the West Indies.

That is a reference to the industrial side.

Why are there these apparent disparities, Mr. Matthews?

Mr. Matthews: I hope they are more apparent than real.

Senator Grosart: I say they are apparent because I do not think I have read them out of context, and I read them very carefully.

Mr. Matthews: I should have taken more care to word these phrases exactly as I meant them to be. I think in the introduction when I said that free trade with Canada is one of the more appealing possibilities of this kind, the stress should be on the word "possibilities".

You know, in theory, or on the face of it, among the various opportunities for special links between the Caribbean region and what I have called the large metropolitan marketing areas, free trade with Canada appears to be the more appealing.

I cite in a footnote against this the book by Owen Jefferson, in which he looked at the comparative merits of West Indian association with Canada, the European Economic Community, the Latin American Free Trade Association, and the Central American Common Market, and he seemed to come up with the idea that Canada was one of the more appealing prospects.

That is right at the beginning, when I am considering what might be the worthwhile things to look at, but when one gets to the end and has looked at all the evidence, I think one has to come down to the fairly sober conclusion that this would not set the world on fire, and I think, in a sense, that is what I was trying to say there.

Now, the inconclusiveness that you mention is certainly in my mind. I think that although we tried to do the best job we could, given the scope of the study, the resources available, the time, and so on, we could not really produce firm unequivocal conclusions that this would be good or bad, or that it would have this dimension of effect, because there are just too many imponderables and difficulties, and this is particularly the case in regard to trade in agricultural products.

I think you cited a couple of points in that section. It is very much a case of speculating at the end of that section on agriculture where my feeling was that certainly in the short term—I am thinking now of Canadian

exports to the Caribbean—there was no great prospect of exporting these products because in establishing CARIFTA they had set up quite a number of restrictive external barriers to trade from outside the region.

On looking again one could say that if the CARIFTA arrangement is a substantial success on the industrial front in particular, it might lead to a considerable increase in living standards there, and agriculture would be unable, at least as presently organized, to provide all the higher protein food requirements that a more prosperous community invariably demands, so there might be an increased prospect for our exports of agricultural products.

Shifting that another stage forward, one might speculate that what would happen would be similar to what has happened in Puerto Rico which, with their special link with the United States, has not produced very dramatic exports of agricultural products to the United States. They sell some pineapples in the States, but that is about all. On the other hand, the opportunities for exporting manufactured goods to the United States have so enriched the Puerto Rican population that they now demand larger quantities of more expensive high protein foodstuffs. The dairy industry in Puerto Rico has grown greatly to fulfill this demand, and farmers who previously were producing products such as vegetables, which the United States has to sell, are now producing dairy products and the United States is selling them vegetables.

Senator Grosart: Somebody said they can now afford canned instead of fresh pineapples!

Mr. Matthews: This can affect the relationship with and dependence on the success that is likely to be achieved by CARIFTA in improving their industrial prospects and so on. This becomes too speculative to reach any firm conclusion on, and the only honest thing to do is to say that these are the kinds of things that could happen, but the reader's guess is as good as mine.

Senator Grosart: Let us say that global free trade is not the answer. Assuming a Canadian desire to do something very positive to assist the economy of the Commonwealth Caribbean, would you say a special drive to improve the Caribbean share of the market in citrus fruits might give a tremendous lift to the whole economy of the Caribbean?

Mr. Matthews: I would think it could do quite a lot.

Senator Grosart: At the moment they have about five per cent of our market, according to your report. On page 37 you say:

However, the right combination of factors, including dynamic entrepreneurship and adequate financing, could do the job.

On the previous page you say:

There are no fundamental economic reasons why the Commonwealth Caribbean could not act as a major supplier of such products to the Canadian market.

What would have to happen to bring this about?

Mr. Matthews: The evidence suggests that it is unlikely to occur unless a Canadian, American or other western entrepreneur went in. I did not have the opportunity to check this first hand, but I believe there are some Canadian citrus fruit interests in British Honduras that have done quite well.

Senator Grosart: That is in your report.

Mr. Matthews: I did make a footnote about it. I believe they have done quite well. Indeed, the statistics show a substantial increase in imports of that commodity from the region, which I presume is a result of that development. The organization of the agricultural sector for that type of product is proof of the possibility. People have done it in certain areas.

Senator Grosart: At page 46 the report refers to the British Honduras operation by Canadian interests, and says:

A repetition of this type of development in a few other territories of the region could transform the Caribbean citrus industry.

How do we get this done? Let us say we want to, what do we have to do? What are the steps? First of all, would you make a guess at the impact on the Caribbean economy, to take a hypothesis, if we could give them the whole share of our market?

Mr. Matthews: I think you are asking me more than I could supply without sitting down and doing quite a bit of figuring out.

Senator Grosart: Would it be significant?

Mr. Matthews: It seems to me that it would be quite significant, yes. We are talking here,

doubtless, about relatively minor changes overall. I think one has to be fairly conservative about this whole business. The real potential for growth in the Caribbean countries in the next few years, certainly if one leaves out Trinidad, Jamaica and Guyana, is tourism, which may create other problems. Here is a real growth industry, 10 to 15 per cent a year, and nothing except a political upheaval there, or their decision that they do not want tourists, can stop it growing, or I suppose a major depression in North America, which I hope is unlikely. It has just got to go on. I would think the potential can do more for most of those islands than anything one could do to the citrus fruit trade.

If one is considering other areas of the economic, social and political spectrum than tourism, then I would think that the citrus fruit industry is a very good one to concentrate on. What would be involved in producing an efficient citrus fruit industry that would yield major benefits to that area is something that is a little beyond my scope. I am not a business man.

I have taken the liberty of suggesting in the closing pages of this study, as was cited a few moments ago, that the Canadian Government might consider making the Caribbean region the area where it would first attempt to provide incentives and opportunities for private investment in the developing world. I think it is no secret that the Canadian International Development Agency is interested in the possibility of promoting private investment in the developing world. This, of course, is the latest fashion in the field of development economics, to try to encourage private business to move into those areas. The Caribbean region is receiving a lot of Canadian aid and it is a question of whether they can usefully use a great deal more conventional aid in the way in which we normally describe it. Perhaps the kind of aid in a broader sense that we might try to provide to move beyond the traditional form of development assistance is in this kind of encouragement to private industries to establish down there.

Now, what would be required to encourage local entrepreneurs to establish more effective operations for selling their products in the Canadian market or in coaxing Canadian interests to open up plants down there, I don't know. I think this is a question in industrial organization, management and business rather than a question for an economist.

The Chairman: If I might just ask a supplementary question, Senator Grosart, to your question; on page 113 of the brief, in note 2, it seems to me that you say right there that the Private Planning Association recently completed as a contract study for CIDA a report entitled "Ways of Increasing the Involvement of Canadian Private Interests in the Developing Countries". That was in Montreal in May of 1969.

Senator Grosart: That is what I had in mind, Mr. Chairman.

The Chairman: You carry on with the question, then, Senator Grosart. My question is simply that I think we on this committee should see this document, because this is what we are talking about. Senator Grosart is asking about ways.

Senator Grosart: I am taking one more or less at random, but it happens to be one where we have evidence in your brief that you can lay down certain of these citrus fruits in Montreal at cheaper cost than the United Fruit Company can lay them down. This is a primary product area ideally fitted to Caribbean-Canadian trade, and I am suggesting that if we can find out how you can do it in one product then maybe we can apply this to others. I am leaving aside at the moment the industrial exports and I am thinking only in terms of the benefit to the Caribbean. I still ask you what we have to do, or, to put it another way, why hasn't it happened? Is it because of lack of transport? Is it because of lack of initiative on the part of Canadian business? Is it because we are locked into the United Fruit Company and everybody is afraid to break it? What is the reason?

Mr. Matthews: First, perhaps I might mention that this other contract study for CIDA referred to here was undertaken by us as a feature of my personal involvement in the review of the Canadian Development Assistance Program, which was organized and chaired by Maurice Strong. I was one of seven or eight outside people brought into that operation. Each of us produced a paper on a different aspect of the Canadian Development Assistance effort. Because I was working for this organization rather than being a university professor the thing was done in the form of a contract by the Private Planning Association. That is what it is, and I think that the full report, including this particular item, is tabled.

The Chairman: Fine. I am advised by our assistant that that is the case and that it will be made available to all members of the committee.

Mr. Matthews: The paper will only go a short part of the way to answering your question, however, Senator Grosart. It was primarily a gathering together of information on the kinds of schemes that the United States and some other foreign countries had for encouraging the involvement of the private sector in the developing world, together with some sort of conceptual material about the kinds of things you had to do to move the entrepreneur. I think you might find those things interesting, but I do not know how far it would get you in answering the question of why has it not happened before and the rather specific questions in regard to the citrus fruit industry.

One of the elements that clearly prevents this kind of development from occurring we felt when we were writing that report, is that the Canadian businessman actually lacks information about the opportunities in that region. This may seem a rather superficial thing to say, but the Americans have found rather the same thing, that, by and large, the businessman—with the exception of the major executives in, relatively, a handful of very large international corporations that move around the world, whose number is increasing all the time—with the exception of those few, the average businessman is very familiar with his own particular bailiwick, his own national market and, somewhat lower removed, the markets in adjacent or other familiar countries, North America, western Europe or, nowadays, Japan; but he is not very familiar with markets in developing countries, and what he does know about them often makes him nervous because he thinks they are politically unstable and that you cannot drink the water, and so forth.

Senator Grosart: If I might interrupt—the evidence in the report is that Americans are moving in and we are not.

Mr. Matthews: Yes, that is what is happening, partly because they have more international corporations. I think one has to recognize this fact of distinction between these two countries. There are more of these kinds of “jet set” executives in the States than there are here who are accustomed to this kind of thing and are used to offsetting the risk they

run in establishing a plant in a country here which has a, somewhat, perhaps, unstable government against an investment they make in another country there which is more stable.

The Chairman: If I might introduce an offsetting remark to that conclusion. In this particular area Canadians have a tremendous advantage in the financial institutions they have there which have a vast supply of information and a great deal of acumen and know-how, so it seems to me that is part rebuttal.

Senator Grosart: Your brief make a damning indictment of Canadian government policy on page 25, if I may read it:

The multinational firm thus plays an important part in Canadian-Commonwealth Caribbean economic relations, and Canadian government policy has not hitherto helped in the matter. For instance, until recently trade commissioners abroad have been charged with the task of encouraging Canadian exports but not with bringing to the attention of potential Canadian investors any investment possibilities that may come their way.

Is this part of the trouble?

Mr. Matthews: I think it is. That was written by one of the other members of the team, George Doxey, but I would have taken it out had I thought there was not an element of truth in it. I believe these trade commissioners are now encouraged to do more in the area which was previously omitted of looking to investments as well as trade opportunities, but there seems to be strong evidence there was a lack in that regard hitherto.

Senator Grosart: Is CIDA doing all it should to encourage private investment, particularly in view of the fact that in the Canadian assistance package the smallest element, when compared to other countries, is our private investment. Is CIDA doing enough?

Mr. Matthews: I could not say whether they are doing enough, but they have established a special division—I forget the exact name of it—within the last year and a half or two years. I know that Maurice Strong who, of course, has a business background, is exceedingly anxious to give that division lots of

encouragement, and to add weight to the part of the Canadian development assistance program that is designed to encourage private investors to move in to the developing world, but whether they are doing as much as they could I do not know. I would have to leave that to . . .

Senator Grosart: Is the real problem here lack of initiative on the part of private business in Canada, or is it lack of overall Government policy in the development of the Caribbean, or both?

Mr. Matthews: I hesitate to answer that. . .

Senator Grosart: Both of these statements are in your brief, so I am not pulling anything out of the air.

Mr. Matthews: I hesitate, even if it is in the brief, to come right out and say that in this committee, because I do not consider myself to be an expert on the Caribbean. I think some of the authors we had working with us in this exercise are more expert than I, and they would be better able to answer that question. But, I think that there is probably something in both of those suggestions, that there is not a coherent Canadian Government policy in regard to the Caribbean, and I assume that part of the purpose of this committee is to try to work towards the establishment of some sort of coherent and consistent government policy towards that region. I think we all have an idea that we want to establish some sort of special relationship with the West Indian islands, but we are not quite sure what it should be.

As far as business is concerned. . .

Senator Grosart: Excuse me, Mr. Matthews, but I am going to conclude on that. I very much like your last statement, that there is a general feeling that we should have a closer and special relationship, but we do not seem to know how to get it.

Senator Carter: I will limit myself to one question following along the line started by Senator Grosart. You say that this study was conducted from the viewpoint of benefits to Canada, and in reply to Senator Grosart you said the results were inconclusive; that there were too many imponderables that prevented its being conclusive. The question in my mind is: Did this study take into consideration the possibility that the United Kingdom would, within a short period, very likely be entering

the European Economic Community, and that if they did these West Indian countries would be forced to find some sort of a relationship with somebody else? If so, where would Canada rank in their choice of countries?

The Chairman: This was covered by an earlier question and your reply to it, Mr. Matthews, but I will ask you to reply to Senator Carter's question generally.

Senator Grosart: Before Mr. Matthews replies I would like to correct something that Senator Carter said. I would say for the record that it was not my reading of the brief that it was prepared primarily from the point of view of the Canadian interest.

Mr. Matthews: It was prepared primarily from the point of view of the Canadian interest.

Senator Carter: But the terms of reference requiring you to make the study were as to the benefits for Canada.

Mr. Matthews: Am I missing a distinction between "Canadian interests" and "benefits to Canada"?

Senator Grosart: No, you are not. Senator Carter is right and I am wrong. I am appalled that those were the terms of reference.

Mr. Matthews: I will have to leave you to sort that out with the government departments concerned. I should say in all fairness to the Canadian Government that the original intention in regard to this project, as outlined on page 1, appeared to be to carry out twin studies, one on the Canadian side looking at the implications for Canada of such an arrangement and one on the West Indian side, looking at the implications to the Caribbean. As far as I am aware, the West Indian study has not commenced. Part of the problem there, no doubt, is deciding who should make the study and pay for it, because it is not just one country, but many. That is one of the reasons why the Canadian Government wanted to look at it purely from the Canadian point of view. They have their reasons and I will have to leave them to explain it.

Senator Grosart: I compliment you on the fact that you did not look at it entirely from the Canadian point of view by any means.

Mr. Matthews: It seemed to me that when you are considering trade it is a two-way street.

Senator Grosart: Particularly free trade.

Mr. Matthews: When considering Canadian imports from the Caribbean you are also considering Caribbean exports to Canada, so it is the same thing. Thus, willynilly, we had to look at both sides of the equation.

Senator Grosart: It is a good thing you did.

Mr. Matthews: To return to Senator Carter's question, we were aware of the implications of British entry into the European Economic Community, should it still take place, and the likelihood that this would increase the desire of the Caribbean countries to find a partner elsewhere. I would observe only that they are proud and nationalistic at this point in time in the Caribbean and a little reluctant to look anywhere outside the Caribbean. They feel that the Caribbean Free Trade Area will provide them with various opportunities to improve the efficiency of their economies. Many of them hope that ultimately it may lead to some form of political federation. Nevertheless, many of the more reflective and perspicacious people there realize that the region is not going to be able to stand on its own feet, whatever that means in our modern world, but that they do need links of various kinds, economic and political perhaps, migration opportunities and so forth, outside the Caribbean region. Certainly as the British influence declines in that area, as it will, and I think the British expect it to, the Caribbean peoples will look more to Canada. They look to Canada to a great extent. I had never visited the Caribbean before I started this study and I was impressed by the extent to which they look to Canada.

Senator Grosart: They are looking out the front door towards Canada and the Americans are coming in the back door?

Mr. Matthews: Yes, maybe to some extent that is happening. Maybe there are some steps that can be taken by government to improve the relative performance of Canadian economic interest there.

Senator Laird: Rightly or wrongly, when listening to witnesses from the Caribbean before this committee and talking to people from the Caribbean I have had the impression that, as far as manufacturing and industry is concerned, they are anxious to have Canada come in with money, technical know-how and all the rest of it and get things going, but then they are most reluctant to leave it with

us, but in effect want to have it turned over to them. What comments would you have on that? This is putting it very bluntly.

Mr. Matthews: I do not know what useful comment I could make except that a lot of people feel the way you describe. This question really relates back to something that we were saying earlier in regard to multinational corporations. This is an evolving phenomenon in itself and in many countries and not just in the Commonwealth Caribbean countries. There is demand from the local people for a larger share in the running of those companies and a feeling that the direction occurs in the head office and that this has political implications as well as economic ones. We know this sort of talk in Canada and we suspect that there may be some justification for some of it. A large part of this is related to the extent to which the multinational corporation can so evolve that it becomes, in fact, and more important in appearance, a generally international enterprise. If the people in the Commonwealth Caribbean genuinely felt that that plant down the street which employs 99 per cent West Indian personnel, right up to the president and produce products which were advertised in a way which seemed oriented toward their kind of society and generally behaved like a good citizen, and all that type of thing, then they really would not look at it as being a foreign body within their society. They would look at it as being part of a large international enterprise and the fact that the head office was in New York, Toronto or London would be neither here nor there.

Senator Grosart: Like Canadian General Electric?

Mr. Matthews: This is really the question, isn't it? I hope that I am not going to be making some sort of great appeal in the wrong place, but I feel that this is an extremely fascinating question, the extent to which this tremendously dynamic phenomenon, the multinational corporation, whose growth is simply tremendous, can generally become an international agency for economic good.

Senator Grosart: Isn't the main question, where the dividends go?

Mr. Matthews: I do not think so, senator.

Senator Grosart: Surely this seems to be the problem because it affects the balance of

payments. It is money earned in one country for the citizens of the other. This is the problem of the multinational corporation. To carry out your suggestion the ideal would be for it to be funded by investment from many countries.

The Chairman: It goes back to our discussion about guidelines and the operation of any company in a foreign country and how they operate. The whole subject of multinational corporations is a fascinating one and perhaps we should have Mr. Matthews back on another occasion to discuss it.

Senator Grosart: I think we should.

The Chairman: In its whole concept it is much broader than the Caribbean.

Mr. Matthews: There are people in Regina, Saskatchewan who feel that it is terrible that all of that money keeps flowing back to Bay Street, Toronto.

Senator Grosart: That is my point.

Mr. Matthews: Would you say they are right to have that view?

Senator Grosart: I am not saying they are.

Mr. Matthews: That is, that enterprises in Regina should be financed by the shareholders living in the immediate vicinity of Regina and that it is wrong to draw the finances out.

Senator Grosart: I am not saying it is wrong but I am saying the solution to many of our corporate problems is in this very area. When the banks appeared before the Banking Committee of the House of Commons this issue was raised over and over again in our own Canadian context. They were asked: "Are you draining money from the west to invest in the east". They went to great pains to show the wide distribution of their shareholders. So does Bell Telephone. If you are in the position of having your shareholders distributed over the same area as your customers you do not have any problem.

Mr. Matthews: On that point, might I say that that would be a kind of solution, although as an economist I would question whether that is really the way to organize our affairs.

Senator Grosart: I do not want to get into the whole subject, but one of the suggestions

has been that these multi-national corporations, once established, should option back some of their stock in each country.

The Chairman: It is happening now in some cases.

Senator Grosart: Yes and that is what I think should be happening in Canada-Caribbean relations.

Senator Laird: There is one final point, which is rather tragic. A couple of weeks ago we had an interesting suggestion on transportation problems, which was mentioned as a very real one in trading with the Caribbean, that with the advent of jumbo jets this would change the picture. Have you by any chance given any consideration or any study to that?

Mr. Matthews: There was a lot of that in the transportation section here. Unfortunately, there is not too much known about the economics of the jumbo jet yet. More may be known about this now than when we finished this study. There is probably more information in Boeing than there is in Canada.

All I would be able to say now—as I have not gone back to this question since the study was published—is that there is certain evidence to suggestion that the jumbo jet would add a new dimension to this whole business.

The Caribbean countries are expecting that jumbo jets will be employed and the airlines are expecting it also, that they will be employed in transportation to those islands. That was not by any means certain when we were doing the study. It was felt that they might go into some of the big islands but not the smaller ones. Now they are all talking about strengthening their runways and they really feel they can support a trade, running 300 or 400 people at a time into those countries.

Senator Grosart: And freight.

Mr. Matthews: Exactly, that is what I was going to come to. Their capacity is enormous and their rates appear likely to become very reasonable, certainly by the earlier standards.

If you take certain kinds of products, such as wearing apparel made out of relatively lightweight textiles and with a lot of "value added", shall we say, put into a small product, a lot labour put into a small product, the value of what you can pack into the hold of a Boeing 747 would be such that this might be a very feasible method of transportation of

the product from one place to another. That method of transportation would be a regular, reliable, door-to-door transportation route, whereas for so many of the islands they have the difficulty that they just do not call, and very frequently there is not a large enough load to justify them calling in on a regular basis to pick up cargoes and so on. This is just not the sort of thing that the industrialist likes to deal with. He likes to know that he can ship out on such and such a day and that it will arrive in Montreal on such and such a day. So this could well transform certain parts of the picture, I should think, quite markedly. Perishables, fresh fruit, flowers and things of that sort have also to be considered. There is also the question of low-volume, high-value products which do not amount to a great deal of trade, but could be interesting where these were the characteristics concerned.

Senator Robichaud: But if they had proper cold storage facilities, it would help solve the problem of this movement back and forth. This is one of the difficulties with not having these facilities because they cannot handle these items properly.

Mr. Matthews: That is true, but it is rather like the question of the chicken and the egg and which came first. Maybe they do not have the cold storage facilities because they do not have the boats coming in regularly, and maybe they don't have the boats coming in regularly because they don't have the cold storage facilities.

Senator Grosari: In several places your brief emphasises a number of potential export products. I wonder if you could indicate why these textiles, apparel and electronic equipment—I presume that is light electronic equipment—and chemical products are specially mentioned? Is it because of labour density or cheaper labour?

Mr. Matthews: Lower labour cost is the big cause. Apparel requires a lot of handwork and so do chemical products which are mainly drugs. The electronic equipment is mainly electrical wiring circuitry and radios and that sort of thing. This is the main reason,

and it is interesting to note that those are precisely the products that Puerto Rico first started off with.

Senator Grosari: Do you know of any comparative study to yours on the Puerto Rican-US relationship of the Dutch Antilles situation where again the per capita income has been greatly increased over the level of the other Caribbean countries?

Mr. Matthews: No, I don't.

Senator Grosari: It would make a very interesting study to see how it relates to the US-Puerto Rican situation as to the same factors and different components.

Mr. Matthews: It would be, but I didn't have the opportunity to obtain any material of that kind. It would be interesting to find out, provided it is not in Dutch.

The Chairman: I presume the Puerto Rican-US situation was Spanish.

Mr. Matthews: No, it was all in English.

The Chairman: Any more questions?

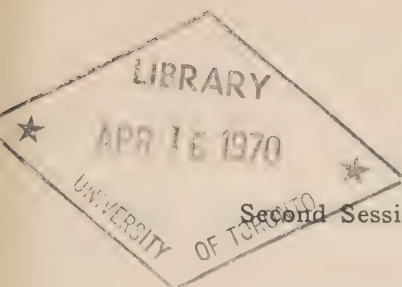
Well, Mr. Matthews, it remains for me to thank you very much on behalf of the committee which I do most heartily. I would make the point to you that the degree of questioning to which you have been subjected reflects the great interest that the committee has in this project, and it may have been a surprise to you to find that we all had read the brief.

Mr. Matthews: You had done your homework.

The Chairman: The other point I would like to make is that you may have found it an interesting exercise from your point of view to have had to defend a number of contributing authors who came to multiple conclusions. On the other hand, this committee regards this brief as a real corner-stone of our efforts and I am sure that it will be extremely useful to us in the future.

On behalf of the committee, I express to you our sincere appreciation.

The committee adjourned.



Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 9

TUESDAY, MARCH 17, 1970

Respecting
THE CARIBBEAN AREA

WITNESS:

Mr. John D. Harbron, Associate Editor, The Telegram, Toronto, Canada.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, Wednesday, February 18th, 1970:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Committee on Foreign Affairs have power to sit during adjournments of the Senate.

The question being put on the motion, it was—
Resolved in the affirmative.

MINUTES OF PROCEEDINGS

TUESDAY, March 17th, 1970.
(10)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 11:10 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Cameron, Carter, Fergusson, Grosart, Laird, Macnaughton, McLean, Robichaud and White.—(10).

Present, but not of the Committee: The Honourable Senator Isnor.

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee continued its study of the Caribbean Area.

The Chairman (Senator Aird) introduced the witness:

Mr. John D. Harbron,
Associate Editor,
The Telegram,
Toronto, Canada.

Agreed: That a background statement entitled "Canada in Caribbean Area—Technique for Involvement", which was submitted by the witness, be made part of the Committee's printed record. (*See Appendix 'G' to today's Proceedings.*)

The witness was thanked for his contribution to the Committee's study.

At 1:00 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, March 17, 1970.

The Standing Committee on Foreign Affairs met this day at 11 a.m.

Senator John B. Aid (Chairman) in the Chair.

The Chairman: Honourable senators, in this concluding phase of our Caribbean inquiry, we are attempting to interpret the body of our previous evidence and ascertain what conclusions and recommendations are indicated.

In the same way that we initially asked eminent witnesses to introduce us to the Caribbean area, it seems appropriate that we should now return to the general level for an evaluation. This assessment should include not only the material produced by this committee's hearings, but also the important new trends in Canada-Caribbean relations.

The first witness we have invited for this purpose is Mr. John Harbron, Associate Editor of the *Toronto Telegram*. Mr. Harbron is one of Canada's foremost Latin-Americanists. His biographical sketch has been circulated so that members are aware of his background and many writings in the field. He studied in Cuba in the 1940's and has long had a special interest in the Caribbean area. Like that of our own committee, his concern has been with the whole region rather than any particular part, and he has recently written an unusual comparative study on Jamaica, Puerto Rico and the Dominican Republic. This pamphlet, entitled "Islands in Transition," has been circulated to all our members. I believe you have this green pamphlet.

We had hoped, in Mr. Harbron's brief, for a general overview of the present Canada-Caribbean relationship and for his opinions about the future. We have not been disappointed and I would like to thank him, at the outset, for his candid presentation. On behalf of the committee, I would like to add a very warm welcome.

Before asking Mr. Harbron to begin his introductory remarks, I would like to point out one typographical error in the brief. The

first word on page 4 should be "If" rather than "In". This was an error in transcription at our end, Mr. Harbron, which materially alters the meaning of that passage. I ask honourable senators to take note of this correction.

When Mr. Harbron has completed his first comments, I will call on Senator Cameron and Senator MacNaughton to lead the questioning.

Mr. John Harbron, Associate Editor of the *Toronto Telegram*: Thank you, Mr. Chairman. Honourable senators, I have given my brief the title "Canada and Caribbean America", with definite intent. I have always viewed the region as, in effect, Caribbean America, that is, the geographical portion of the western hemisphere between North America and South America. In effect, really, it should include Mexico. But I have excluded Mexico from my brief, because I think to try and get the concept across, as I tried to do over the years in this country, it is enough without getting into the Mexican experience which is in many ways separate and unique. I would just wish to make the point that Mexico is geographically, as we can see from the map, an important part of Caribbean America.

Therefore, in that context, I prepared my paper with this broader consideration in mind, in other words, getting away from what we now call the Commonwealth Caribbean, to include the Hispanic countries, and those territories dependent and semi-dependent, which still come under French and Dutch jurisdiction. I also include a country about which very little has been said so far in the hearings, Haiti, a French-speaking republic, which shares the island of Hispaniola, with the Spanish-speaking Dominican Republic.

With that geographical enlargement, I have in the brief made two generalizations about what I call the two traditional streams of Canadian involvement in Caribbean America, the private and public sector.

I have indicated that the private sector relates primarily to the extractive industries in countries like Jamaica and the new Repub-

lic of Guyana and more recently in the Dominican Republic, and also to our banking role.

As to other involvements, there are private arrangements in the hotel industry, some Canadian portfolio investments in the new Jamaican stock market. The second traditional stream which I have gone into is the public sector and I had indicated there is a mixed relationship of public and private involvement. I have also made some references to the work of Canadian agencies concerned primarily with what is now called community development, the CUSO structure, the missionary process, in the Caribbean.

I have particularly referred to the work of the English and French Canadian Oblates and other Roman Catholic orders in Caribbean America; and the obvious Canadian public sector interest through CIDA agreements, our loans, which are defined in Canadian dollars, to the Inter-American Development Bank, of which we are not yet a member country, IADB loans from Canada are in turn disbursed through the Central American Central Bank, for use in the Central American Common Market region, mainly infrastructure development.

One point which I have made in the brief and which perhaps may be controversial is that I feel that there is now a considerable amount of responsibility to modernize on both countries and territories where we have had a considerable aid role, or private investment role, namely, the countries—and, to a certain degree, the dependencies—in the Commonwealth Caribbean. I put this on the basis of judgments which are not entirely mine, that the infrastructure development in countries like Jamaica, or Trinidad, or Guyana, are in serious lag, and that the development of schooling, utilities and road systems, are largely the responsibility now of those countries. Because, I feel they have adequate administrative and technical skills with which to do these things.

The decision-making process in government in Jamaica is certainly not extraneous to Jamaica. It is a historical process, one they had known extensively under the colonial administration.

The sophistication of societies in countries like Jamaica, Trinidad and Guyana, came through the trade union movement, from which has developed their political systems—almost all of the major leaders in the Commonwealth Caribbean have come from the trade union movement.

Even more critical are the serious imbalances in the balance of trade position of Commonwealth Caribbean countries. There is the fact, for example, that Jamaica finds it difficult to diversify out of the basis sugar economy, in which the country finds itself, to reduce the import substitution, for example, to make a metropolitan country like Canada, or the United States a major source of its agricultural exports, which so far the Jamaicans have been unable to do. But these are all problems that I strongly feel can be resolved by the Commonwealth Caribbean countries with their own resources. In effect, some of the Jamaicans and Trinidadians whom we have in Canada and who function here professionally and in other ways, should in effect be working in their own homelands. There should be the scope for them and their resources in their own island countries.

This process is not entirely true of all Commonwealth Caribbean regions, of course, because you have the Leeward and Windward areas which do not have the administrative and technical skills of the larger places. I think Mr. William Demas in his excellent study *The Economics of Development in Small Countries With Special Reference to the Caribbean*, referred to what he called an export substitution process—that the way perhaps to develop the smaller places in the Leewards and the Windwards is to have manufactured goods from the major Commonwealth Caribbean countries, like Jamaica and Trinidad can be imported duty-free, and the larger countries in turn would reduce their output of agricultural products permitting the smaller countries in effect to export their own against strong local competition. You would also have some common agreement amongst the Commonwealth Caribbean countries on tax incentives and export development laws rather than having them compete against each other, which in effect they do now.

And this leads me, I suppose, into the penultimate point I made in my brief, that our long-term commitment in the Caribbean should be associated with these kinds of things. But economic integration schemes would have to be initiated by these countries themselves. For example, the Export Industry Encouragement Law of the Jamaican Government, allows certain advantages to off-shore companies which are exporting semi-fabricated goods to the United States or Britain or Canada. Yet this particular law does not apply within the CARIFTA region. In other

words, to create a Jamaican company to service the export market to Guyana or Trinidad—this kind of structure does not yet exist. But it is within the Jamaican process to change these sorts of laws so that they could benefit the CARIFTA arrangement which so far is really nascent and scarcely off the ground.

The ultimate point I have made in my brief is the rather more diffuse role which I see us playing in the Hispanic Caribbean, and this is a point I have made many times over the years in both the spoken and the written word that Canada has a closer association with the large developing countries of the Caribbean, particularly with Venezuela and Colombia. I isolate Venezuela because I see many parallels between that country and ours. It is an empty land really, underpopulated, and yet with tremendous demands for managerial, technological and administrative skills, a lot of which will be imported as they have been in our own particular case. Yet there will be a narrower use of these. In other words, in what way do middle-sized Venezuelan companies modernize themselves? Well, they use by and large the North American methods for cost-accounting and industrial engineering and so forth. But they use them within the Venezuelan context. This is one of the major experiences of the secondary manufacturing sector in our own country. How do you take the large message from the Harvard Business School and apply it to a middle-sized or even a large sized Canadian company which may be foreign-owned or may be a subsidiary of a foreign company?

Now to establish these kinds of liaisons, obviously means that we work in a different way from the way we have worked before. Initially we work, as I say, through Caribbean economic integration schemes and therefore I would give equal time and equal scope to the Central American Common Market a concept which is much more advanced than CARIFTA, and which is in effect the only hope for any kind of integration in the central American region where all the political integrations have failed historically, as we saw last summer in the brief war between El Salvador and Honduras.

There is one point which I did not make in this brief, and which I might as well make now because if I am not asked about this it will be the first time in many years. I feel that Canada should join the Organization of American States. I say this because there is no way in which we can have a sense of community with the Hispanic Caribbean

countries other than to go into their international organization, any more than we can be useful to the Commonwealth Caribbean other than participating in CARIFTA and the agencies associated with it such as the Caribbean Development Bank, which we already do.

Now, I am not concerned with the political difficulties of OAS entry such as where we would sit if there were another Santo Domingo intervention like 1965. But I see the necessity of going into this body, the Organization of American States, or some successor body. There is always going to be an international organization in the Hispanic Caribbean, because as I say, this word in Spanish *Comunidad*, means understanding what are the problems of Venezuelan's infra-structures, or to preempt the role of Chileans who are in many ways the Canadians of Latin America—a Chilean lawyer may be the labour law consultant to Chrysler of Venezuela—Chilean economists set up the structure for the Guayana Development Corporation. They are non-ideological professionals moving around the continent. And this sort of involvement will be more understood in the kind of context I am putting it in if in effect Canada is a member state of the Organization of American States and of the Inter-American Development Bank as well. Suppose at some particular point it were called the Organization of Revolutionary American States and as I pointed out in my brief, we run into serious difficulties with political systems in the Caribbean I see no reason we shouldn't join even them because history is not going stop its pattern in this part of the world to prevent some kind of revolutionary process in Jamaica, maybe not Castroite, but maybe like the Mexican, or in Guyana which might be inspired by racial upheaval rather than political upheaval or economic imbalances. And these countries are members of the Organization of American States. You have to bear in mind that Jamaica, Barbados, Trinidad and Tobago are three Commonwealth Caribbean countries in the Organization of American States.

In conclusion, Mr. Chairman, I would say that our long-term future role in Caribbean America should be primarily associated with those things connected with economic integration where the area as an entity is concerned, and that is where we should be. In this way, rather than funding a port in El Salvador on one particular occasion or hopefully involving ourselves in the development of management and other skills in Venezuela, which may be

conceivably haphazard, we involve ourselves in the long-term direction of economic and social change of the entire region.

There is one exception based on clear reality. We have large extractive industries in the Caribbean which have played a private role and a large public one, and we are going to see a continuation of this phase in two republics, in the Dominican Republic where Falconbridge Dominicana S.A. has already made financial arrangements and begun construction of a plant, and through whatever kind of similar arrangements EXMIDOL (Inco) is able to make with the Guatemalan government. I would not like to be too specific as to what kinds of political hazards they may face, possibly the kind that Alcan Jamaica have very luckily escaped in participating so far in the Jamaican economy.

The Chairman: Thank you very much, Mr. Harbron. I think you are correct to anticipate you would have been asked about joining OAS. I do not think anyone would have contemplated asking you about joining the Organization of American Revolutionary States, but I think they would have made inquiries about the OAS. Thank you for your overview.

Senator Cameron: Mr. Chairman and Mr. Harbron, we have read the presentation with a good deal of interest, and I think there are one or two surprises in it which will come out in the course of questioning.

My first question is a very general one. It relates to your suggestion that we treat the whole area as one. In the light of history, this would seem to pose some special problems because, you will remember, some years ago there was a Federation of the Commonwealth Caribbean countries which lasted three years and then dissolved. Now there is talk, and probably more realistic talk, of setting up a sort of Caribbean common market, again among the Commonwealth countries. If the original partial federation of the area did not succeed or broke up, do you think there is better prospect now for achieving some kind of federation, mainly on an economic base, of the whole area than there was in this limited Commonwealth area? Obviously, you must feel this way or you would not have made the suggestion, but how optimistic can you be that this will come about, even over a period of time?

Mr. Harbron: I can be more optimistic about CARIFTA than the original idea of the

Federation of the West Indies because, obviously, the entities involved, the new countries and dependencies involved, are much more sophisticated about this kind of scheme than they were 10 or 15 years ago when the federation fell apart. But again, at the same time, Senator Cameron, I am pessimistic about the success of CARIFTA because it largely depends on these countries creating an apparatus themselves. We can give whatever kind of advice that is requested of us; we can help fund the Caribbean Development Bank, which we have done to the extent of \$15 million; but it is really up to the Jamaicans, who take a primary role, to be alert to some of the jealousies and internal conflicts existing between, let us say, Trinidad and Guyana in emerging as a republic, and themselves and to develop techniques within the framework of their common market and make them work.

Right now, for example, the amount of Jamaican exports to CARIFTA countries is somewhere about 3 per cent of the total. Our role so far has been largely to supply shipping facilities. At what particular point, for example, will the CARIFTA countries come together and decide they have to establish their own shipping services? Either they go into a charter arrangement or they restructure some of their capital needs to build a state merchant fleet, whichever way they go.

I am optimistic, on the one hand, that this is not largely a political motivation but is an economic one, and they seem to have more success with economic unions in our time, especially in Latin America. But the pessimism is that these countries, which have so much trouble with their internal economies, perhaps are going to have more trouble in making external ones fit together so that CARIFTA will work.

Senator Cameron: You talk about these countries creating the infrastructure which will enable them to take advantage of and develop this kind of economic co-operation, and you rightly, I think, suggest that Jamaica, for example, or the Bahamas have developed an infrastructure which could do this, but how realistic is it to think of some of the smaller islands doing this? How long will it take? Do you see any prospect of this coming about, even in a reasonably short period of time?

Mr. Harbron: The smaller islands—and again, I refer to Mr. William Demas because he made some clear suggestions for their eco-

conomic development—are problem islands. You cannot rely entirely on sugar because in the large sugar-producing countries, like Jamaica and Trinidad, the sugar industry is inefficient and high-cost and it is protected by preference quotas. Some of these islands are very small. Montserrat has a total population of about 13,000, and St. Lucia's main claim to fame is about two or three miles of beach. So you bring in tourism, which obviously has a cut-off point because there is only so much real estate and there is only so much tourism these islands can absorb.

I come back to my earlier point in reviewing my brief, the suggestion Professor Alister McIntyre makes, of export substitution. These small territories should be allowed to take a portion of the agrarian output of the larger countries and import Jamaican and Trinidadian manufacturing goods tariff-free. Barbados is now struggling mightily to diversify through manufacturing and that, obviously, has its limitations, and it is going through the same kind of process that Jamaica went through in the fifties to bring in secondary manufacturing. But again these workable common market arrangements have to be made, internally between these countries. It is not that they do not have the skills. We are not talking about West or East African nations where the number of people who can cope with the infrastructure problems is extremely small. We are talking about countries where these kinds of human resources are exportable. Maybe some of them should be put to work on this kind of problem, within CARIFTA.

Senator Cameron: Again, thinking in terms of Jamaica and the Bahamas, which I would think of in relation to the smaller islands, they do have a civil service and a limited business community with modern skills and know-how, but even there my impression has been that they have not enough of these, particularly in Jamaica. If they have not enough of these, particularly in Jamaica. If they have not enough, then what about the others? Are you satisfied from your knowledge of them that they do have the kind of economic manpower and the native entrepreneurs, first, with the skills, and, second, with the financial resources to do what is necessary.

Mr. Harbron: Let us look at it from a different angle. The cost of producing a skilled worker in Jamaica or Trinidad, and to a

lesser degree in Guyana, outside of the big extractive industries such as the bauxite industry, is becoming prohibitive to these economies. In Jamaica and Trinidad unemployment may be as high as 25 per cent, and these countries will not give you accurate figures. It is easy for us to advise someone else. But the clear message to a country such as Jamaica is to diversify out of sugar.

Jamaica today produces sugar at something like \$120 a ton. Some of her competitors, such as Hawaii and Australia, which are totally mechanized, may produce sugar for half that amount or less. The price of Jamaican sugar is protected by quotas and preference.

There is a medium-sized Jamaican sugar estate called Innwood which, as I was told when I was there, produces 25,000 to 30,000 tons of sugar a year, but which could produce all of the fruit and vegetables for the population of Jamaica, with a surplus.

Jamaica, on the other hand, imports food-stuffs, at the rate of about \$72 million a year. You can go into a hotel in Kingston or Montego Bay and buy Jamaican red bean soup, but all the red beans in it are imported from southwestern Ontario. There is no such thing as a Jamaican-grown red bean soup.

These are the sort of problems in respect of manpower that these countries must have help in resolving. The present policy in Jamaica, however, is to prevent the mechanization of the sugar industry because this will increase unemployment. Yet, Jamaica is presumably competent to create agricultural export markets, and to stimulate the export production of agricultural surpluses.

There is a citrus marketing board in Jamaica, of which Alcan is a member. Alcan is the largest producer of ortaniques in Jamaica. Yet, that company cannot export ortaniques; it has to go through the citrus marketing board.

Why is it that Israel can lay down oranges in Montreal, Toronto, but the Jamaicans cannot make a meaningful experimentation, and then, in turn, create an export industry which would increase the work force on the agrarian side? Why create more capital-intensive plants, in and around Kingston that have a given number of employees when perhaps 25 per cent of the Jamaican work force is either unemployed or unemployable?

So, here we are talking about making an important part of the Leewards and the Windwards economically viable when the

largest Commonwealth Caribbean countries which have to take on the responsibility are not themselves economically viable.

Senator Cameron: Is there not a contribution to be made here? You are suggesting that the more developed countries, like Jamaica—you have not mentioned the Bahamas but they are certainly there—and Trinidad have certainly the expertise to do these things. In previous discussions in this committee we have raised the question: Why have not these people taken advantage of the opportunity to market citrus fruits in Canada? They can certainly grow them, and the only thing that we in this country, as consumers, require would be an assurance of continuous production of a specified quality, and the organization to produce it. If they have the expertise, why have they not done this? This suggests to me that there is something wrong there. If they have the know-how at the administrative level and the economic level, why have they not developed their agricultural potential, particularly in the area of citrus fruits and tomatoes, and things like that. We could save foreign exchange by not having to buy our oranges and other citrus fruits from Florida or New Mexico, as we do at present. We could save the exchange by having these countries export those commodities here, but nothing has happened. It is true that there is a shipping problem, but what is the answer?

Mr. Harbron: I think the answer, in part, is because all these islands have been caught up in the urge to create manufacturing industries. Anybody with a basic knowledge of economics can see that to have parallel manufacturing processes in these islands is wasteful. But Jamaica has been committed to this process now since the early fifties. There is also the fact that the sugar industry has become increasingly insufficient over the last ten or fifteen years. The U.S. quota for Cuban sugar disappeared in 1960, and so these countries all have a portion of the Cuban quota, although I admit in the case of Jamaica it is not a large portion. The Dominican Republic has a very large portion of the old Cuban quota.

I would like to know whether they would have moved into the areas I have been suggesting, senator, and whether they would have taken action with respect to their sugar industry if there had not been the Cuban Revolution. A lot of the sugar produced in the Caribbean, except for what went under earlier quotas to the United Kingdom, was still

going into the United States under the U.S. quota, because the United States quota, which I think is somewhere around \$6.14 a hundred-weight, is still the best deal for Caribbean sugar producers. So, that is one reason. The United States quota has been broken up so that Guyana has a little piece, the Dominican Republic has a larger piece, and Jamaica has a piece, and so on.

I think another reason is that these countries have to determine at what point tax holiday incentives, relief from corporate taxes and so on, are going to be substituted for something else. It is very difficult for a country that has created a tax holiday structure to turn to something else. We can include Puerto Rico here, because some of these are 34 years in length for going into the far northwestern corner of Puerto Rico, and the same applies to Jamaica. If you go up into the northwestern corner of Jamaica you get extensive tax holidays. No government can remove itself from this incentive process overnight.

Also, Jamaica and other countries would have difficulty in passing legislation which would restrict the expatriation of capital, which must be quite extensive. I do not have figures, but it must be quite extensive out of those countries. There are no restrictions on the expatriation of capital out of the Commonwealth Caribbean countries.

So, what we are saying to Jamaica and Trinidad is: Solve some of these basic problems, at a time when we as Canadians cannot solve our own.

Another point that I have not mentioned concerns race. This has not come up much in these hearings. These countries are not racially homogeneous, as we all know. The population of Guyana, for example, is almost half East Indian. The distinctions between race in Jamaica provide a great study for sociologists and in Jamaica I think that racial differences are being assessed to death. Nevertheless, they play an important part in the economic planning, and in determining which way labour should go.

The same is true of Trinidad. Part of the troubles that are being met in Trinidad—and you all know the new phrase “the Canadian Empire”—relate not just to economic difficulties but also to race. The fact is that Trinidad has a large East Indian population, and East Indians are aggressive and entrepreneurial. The black communities in those countries have been more closely connected with the trade unions and with political development.

The Prime Minister of Guyana is a scholar of no mean importance in the region. These all come together, the difficulty of diversifying out of sugar, the richness of the land, the heavy commitment to industrialization with many incentives and tax holidays and the increasing element of racial conflict which could upset all these kinds of imbalances.

Senator Cameron: What is the cost of producing sugar in Cuba as compared with Jamaica?

Mr. Harbron: A few weeks ago I covered the hearings of the Tariff Board on sugar. Mr. Louis Audette asked every person who appeared for the cost of production of sugar, from the Australians to the Jamaicans, Fijians and Cubans. Nobody would tell him. My guess is that it is very costly for Cuba. Sugar production cannot any longer be a labour-intensive industry. The clear message for sugar production is to mechanize. The Australians and Hawaiians are very far along in mechanizing, including bulk carriers. The Cuban delegation to the Tariff Board hearings on sugar made the point that Cuba is short of the right kind of vessel to ship sugar to this country. If ships are chartered for the sugar trade from West German, French and British registries, which is done, they are black listed by the United States. To push urban people through ideological motivation by the tens and hundreds of thousands into sugar fields has to be highly uneconomic. The very fact of cutting the sugar cane too high or too low ruins it and you do not get enough extract in the cane that is being taken away. I suppose the Tariff Board will have some confidential figures on what it costs to produce sugar in all these countries. There were two royal commissions on sugar, the Mordecai Royal Commission in Jamaica in 1966 and the Persaud Royal Commission in the Barbados. Some competitive costs of sugar production were listed in their briefs.

Senator Cameron: I wondered if you had figures which demonstrated that the Cubans had come up with a lower cost of production, but apparently you have not. In relation to the current climate in which there is a growing antagonism to the Canadian empire, as you refer to it, what effect do you think this will have on the prospects for, first, the further investment of private capital from this area, secondly, what will it do to the inter-island co-operation?

Mr. Harbron: As far as Canadian capital is concerned, if it is prepared to go into Commonwealth Caribbean countries with increasing political upheaval as American private capital traditionally has done—for example, in Peru at present the *Cerro de Pasco Company* with perhaps some \$400 million to \$500 millions invested in Peru, is prepared to continue as a private company, and the Peruvian military junta is prepared to permit it to do so. They are wondering from day to day whether some decree will come out of Lima which will make their part of the mining sector a public concern. If we are prepared to be as bold as American investors in the Caribbean and Latin America, I do not suppose that what we have seen in the last few weeks will upset the increase in investment.

What was your second question, senator?

Senator Cameron: Do you think that in the light of this climate, if the prospects are favourable for encouraging investment on an inter-island basis and not good on the individual basis, would that be any better, taking a global look at it, as you have?

Mr. Harbron: What do you mean by inter-island?

Senator Cameron: You have suggested that we treat this whole area as a unit. If the prospects in the more developed countries are not as hopeful as you might expect they could be, then is it realistic to expect to have more success in less developed areas?

Mr. Harbron: Looking at the whole region this time, including the Central American republics, it really depends on how bold the Canadian enterprise is prepared to be. For example, in the Central American common market you find Boise Cascade, one of the largest U.S. pulp and newsprint producers, building a huge plant in Honduras a virtually untouched region with various kinds of wood useful in their operations. I am sure that it is continuing to build in spite of last summer's war between El Salvador and Honduras. The Chase Manhattan Bank went into the Dominican Republic after the Santo Domingo upheaval with an initial capitalization of \$500,000. Half of this came from AID in the Dominican Republic. Chase went in against tremendous competition from the Dominican banks and, of course, from our own. They do not have any more guarantee than Falconbridge that there will be a peaceful election on May 16 and that President Balaguer will

return or that the Dominican Republic may swing either to the left or right wing, with anticipated disastrous political results. The Bank of Nova Scotia carried on through the Santo Domingo intervention. Our banks left Cuba under circumstances that, according to the banks, were less earth-shattering to them than when the American private banks were nationalized. It depends on the circumstances and the extent of sophistication of management in the private sector as to whether it thinks it can participate in the Central American Common Market, CARIFTA, the Dominican Republic or wherever.

To reply to your question from another angle is to anticipate to what extent Black Power, political extremism and Maoist interventionists will give an extra thrust to the West Indian intellectual politician who wants to see the kinds of changes I have mentioned earlier and who may be forced to talk and act more precipitously than he wishes to. If this is the case, then it will not be any different, really, than it has been historically in the Caribbean.

In 1958, during the Cuban revolution there were Cubans who visualized that under Fidel Castro, Cuba would perhaps follow the Mexican model, with some kind of social democracy, an end to corruption and a rationale for private enterprise that did not exist under the Batista dictatorship. But that did not take place. The people who lost most politically and idealistically in the Cuban revolution were not the millionaires but those who saw Fidel Castro as perhaps a social democrat, which of course he never has been. One has to be intelligible about politics and have a sense of adventure, I suppose, if one is to commit the Canadian private sector to these countries.

With Falconbridge, for example, the \$50 million construction of the power plant and other facilities connected with the smelter, had already been committed in the Dominican Republic before the company, its bankers and President Balaguer agreed to the package announced in January. The example of Falconbridge answers your question with respect to the Dominican Republic.

Senator Cameron: I gather from your remarks, particularly during that last reply, that either you do not anticipate nationalization will take place, or if it does that it will be in a rather mild form. I am thinking particularly of Jamaica, where there is a lot of talk about taking over the industries. It

applies also to Guyana. Do you think there is a danger that the extractive industries may be nationalized within five to ten years?

Mr. Harbron: It is very hard to draw a parallel, but it would be disastrous to industry to have another Caribbean country go through an intensely revolutionary phase akin to what Mexico went through to make these changes. On the other hand, if Jamaica were to experience the Venezuela type of process, where there is an increasing demand from the public sector, (the 40-60 arrangement for oil royalties in favor of the oil companies in Venezuela is now 60-40 in favour of the Venezuelan government), then I would anticipate that companies like Alcan, certainly, would conceivably continue there. After all, in Jamaica, Alcan is a Jamaican company, whereas its American competitors are not but are subsidiaries of multi-national corporations.

To prophesy about the Caribbean is extremely difficult and dangerous. I made the point in the brief, with the sophistication some of our companies have shown in the Caribbean, when a company president is dealing with the Prime Minister of Jamaica, or President Balaguer of the Dominican Republic, both know it is primarily a business arrangement, that there is not a military or industrial complex behind them with the intention, knowingly or otherwise, dominating the national economy. I do not know how long a new generation of politicians, or extremist politicians if they come to power, can be expected to accept this.

Looking carefully at Inco, Falconbridge or Alcan, as some Caribbean politicians are doing, a case can be made for the contention that they are not entirely Canadian companies, that there are multi-national companies in Canada, just as there are in the United States and West Germany. This raises the question what the difference is and which political strength will emerge. As I said in my brief and in the pamphlet I wrote, there is no assurance at all that Jamaica may not for a time go the road of the Dominican Republic, or that the Dominican Republic may not find the Balaguer experience to be the kind that it should have for maybe the next ten years in rationalizing the process of government.

Senator Cameron: You have raised a field day for questions, so I must not monopolize the time any more.

Senator Macnaughton: Mr. Harbron, on page 7 of your brief you say:

It is true... that in determining future techniques of involvement in Caribbean America, the Canadian role whether "modernizing" through the private sector of "missionizing" through the social one, mirrors a somewhat different image.

Yet elsewhere in your brief you seem to sound a note of caution and apprehension about the situation of Canadian enterprises operating in Commonwealth countries in particular. For example, on page 2 you say:

Even in Jamaica... harsh political reaction against large Canadian private enterprise must be anticipated within the next decade.

Do you view that as inevitable?

Mr. Harbron: You mean just in Jamaica?

Senator Macnaughton: You were referring to Jamaica and it is a pretty good example, I guess, because Alcan is there, which you said has done a good job up to date.

Mr. Harbron: No, I do not think so. I am trying to do the best thing as a Canadian by saying that we have a somewhat different and more enlightened philosophy about participation than some American companies have had, or that some United States industry has had. I am also suggesting that in light of the kind of anticipated political change in Jamaica this may count for very little.

Senator Macnaughton: Do I read your brief correctly in understanding you to say that 50 per cent of their profits are taxable to the local government?

Mr. Harbron: Yes. In effect, this increase in the corporation tax on profits is just going through. I checked this with Alcan.

Senator Macnaughton: It is 40 to 50 per cent, a substantial portion of their profits?

Mr. Harbron: Yes.

The Chairman: If I may intrude, I think Senator Macnaughton's point is that on page 2 you use the adjective "harsh", which was a word that concerned me when I read it. Apparently there is a softening of the use of that word in your most recent reply to Senator Macnaughton.

Mr. Harbron: Where is that?

The Chairman: On page 2.

Senator Macnaughton: The phrase is:

...harsh political reaction against large Canadian private enterprise must be anticipated within the next decade.

Do you think that is inevitable?

Mr. Harbron: Well, not entirely inevitable, but I think the chances of it taking place are pretty good, because there is no reason why national societies in the Caribbean should be in any way impeded from the kind of social changes taking place in other parts of the world.

Senator Macnaughton: I thought that Canadians had a different image in that country. That is what you say on page 7, that

...the Canadian role...mirrors a somewhat different image.

Mr. Harbron: We have a different image with the governments and the institutions with whom we now deal. That may not necessarily be the case over the next 10 or 15 years. Supposing, for example, that Jamaica becomes a very highly socialistic country. This implies a lot of other devastating possibilities and other possible military interventions by the United States. Suppose the Dominican Republic cannot resolve its constitutional problems. As long as we are functioning in the way which we are at the present time, through the bilateral arrangements we have in the CIDA agreements and the agreements with the Central American Common Market, it is pretty clear that something different is expected from Canadian private enterprise. If you talk to the people in the Inter-American Development Bank, they feel there is not ideological intent in our private sector involved in the Caribbean. Sure, we are there to make money. Yet, the response of our private sector to demands for social change I think are quite often more spontaneous than they have been with American companies. We have not referred to Guyana in the last few minutes. If the Republican experiment there fails and the racial unrest below the surface in Guyana dominates, it does not matter about the Canadian image.

Senator Macnaughton: Under present conditions what are the chances for increased Canadian investment in the Commonwealth Caribbean?

Mr. Harbron: You mean in secondary manufacturing?

Senator Macnaughton: In private enterprise. Do you think the Canadian Government should encourage private enterprise to go and invest there? If your prospect is as black as it appears to be—you say yes, that you must take your courage, spend your money and take your chance like Boise-Cascade. Do you think we should do that?

Mr. Harbron: I really do not think right now that that is the long-term role for Canadian involvement in the Caribbean. I feel that we should be working with these companies through Common Market arrangements as much as we can without offending national attitudes and positions. Frankly, I do not see why Jamaica needs another hotel at the present time or some of the other islands. What the Jamaicans need now is some formula for diversifying out of sugar cane. Jamaica suffers from a sugar cane nostalgia. I think that possibly a more useful for Canadian private enterprise would be to increase our loans through the Inter-American Development Bank and make Canadian engineering skills particularly available in Central America. In this particular game a lot of the decision-making in the Central American Common Market would be made by Central Americans. We could put private enterprise to work in these regions rather than anticipating more high-rise hotels and manufacturing offshore plants, which have their advantages to a local community, but only limited ones.

The Chairman: I do not quite follow that argument. I thought we were talking about private enterprise. Senator Macnaughton's question to you related to that side. as I gather, your answer was that you are saying in the public sector that Canadian aid might go more usefully into C.A.C.M., but I think perhaps the question and the answer do not meet.

Mr. Harbron: Maybe I have not made myself clear enough. What I mean is that a public sector commitment, such as road building, electrical grid supports, would obviously involve Canadian private enterprise but on a secondary basis. This, to me, seems to be a more meaningful place for Canadian private enterprise to go rather than directly into the industrial sector.

Senator Macnaughton: Would I be correct in saying, if I understood your reply, that you mean that Canada as a country might invest more actual cash through the international

banking system down there in order to aid and assist those countries, rather than private enterprise stepping in?

Mr. Harbron: Yes.

Senator Macnaughton: In other words, more and greater loans?

Mr. Harbron: Yes. I think we should be a member of the Inter-American Development Bank and, at the moment, maybe or maybe not the O.A.S.

Senator Macnaughton: Leaving it to the local statesmen to disburse and invest those loans?

Mr. Harbron: The way we do it now in the annual report of the bank is to show that our loans are indicated in Canadian dollars. They are in effect Canadian dollar loans for the \$50 million more or less that we have lent to the bank. The disbursement of those in the Central American Common Market regions through the Central Bank of the Central American Common Market structure and to what extent these are tied in I do not know. I suspect they are substantially tied or else the point I am making is meaningless.

Senator Macnaughton: Further on in your paper, as a general theme, you seem to stress a decrease of the Canadian involvement in the Commonwealth area, and expansion in the non-Commonwealth area. For example, you refer to Venezuela. How can we expect to avoid similar difficulties, especially in a country like Venezuela?

Mr. Harbron: Because if we were to do in Venezuela and Columbia what I have suggested, we would be doing it within the Venezuelan context. They have already created a development corporation. They have not only done their planning, but have begun to build new town sites. They have brought in primary industry. Some of these countries which have made a lot of these basic decisions lack some of the management skills which we have in this country. What I am suggesting is that we would be invited to come in and play a secondary role. There is no way that we should go into a country like Venezuela and be as deeply involved as we have been in Jamaica. My point is that a large number of these countries have the capability now to develop meaningful planning processes. There is the Guayana Development Corporation, for example, which has been run by General

Rivard, an army engineer who has had a first-class military career in the Venezuelan Army. Why would we pre-empt his decision making? As far back as 1964, our embassy said that what Venezuelans need is a smaller view of management and technical skills, the sort of thing which we may have applied in developing portions of northern Manitoba or for creating industry in western Ontario. These kinds of skills are coming into Venezuela from the American side, not ours.

We are helping to establish a school of business administration at the University of West Indies, but I see the kinds of problems that Venezuelans are coping with, having more relationship to Canada than the Jamaican ones. Most of the basic Jamaican problems have to be solved by themselves. Most of the problems which the Venezuelans have had are being solved by themselves to a certain degree, after Venezuela came out of a dictatorship in 1958. We would come in at a secondary level as in effect we were doing when we financed the Port of Acajutla in El Salvador. We did not make the decision that Acajutla would be the geographically best place for a modernized port. This decision was made by Nicaraguans, Costa Ricans and other Central Americans. Some day I would like to see these countries come automatically to us and say, "can you engage yourself in a feasibility study or give us some management know-how in developing this large public sector side—in effect, like some of our Inter-American bank arrangements—and I think we have a feasibility study with Paraguay that does this sort of thing. We don't tell the Paraguayans that they should have a highway going through central Paraguay; they know they have to have it. It is part of the Pan American system. We have a feasibility study for Paraguay through a loan of \$800,000 Canadian dollars to the Paraguayans. That is the sort of thing we should move to.

Now, how do you know this? Our ambassador in Venezuela in 1964 said Canadians come in here and they don't even know about a development corporation. They want to have a sort of old-fashioned business arrangement with the Venezuelans. They want to sell products which the Venezuelans are trying to manufacture themselves. The Venezuelans are engaged in reducing import substitutions themselves. They don't want competitive manufacturing skills but the particular talents that we have to offer.

I think of the Caribbean as Spanish-speaking rather than English-speaking, because most of the people in the Caribbean are Spanish-speaking, and the best way I know is to be where they all are. If you want to meet the most important planners in Venezuela, okay, you can meet them in Caracas and you can get the embassy to set it up so that you can meet, for example, the Director of Guyana Development Corporation. But, in fact, this does not happen.

I spent a whole week in the Organization of American States in 1968. I was not selling or buying anything. I can tell you that by doing this you can get the whole scope of the kinds of requirements that these countries say they want from us. They keep saying, "Well, your country has had development experience in British Columbia", or "Your country must know a great deal about making small industry competitive or stay alive", or "Your country must know something about regulations for multinational companies that are not harsh or restrictive". But I am just a single involved person saying, "Yes, we know these things." But then I find that these connections have never been made but are misunderstood.

We still feel that because we can go into Kingston, Jamaica, or Georgetown or wherever it is, and speak English we have some kind of advantageous position. For all I know, Mr. Chairman, the whole experience of Falconbridge over the 1970s, given political stability in the Dominican Republic, may be an entirely new Canadian experience in infrastructure development. I mean, the demands for lateritic nickel require a company like Falconbridge to go into these places where the foreign exchange earnings could make Falconbridge the largest single source of income in the Dominican Republic.

Senator Macnaughton: Is it not an advantage to be able to go into Kingston, Jamaica, and speak English and understand the local political system quickly, because it is the same as ours with minor variations? I understood you to refer to private enterprise particularly there. Now, transport yourself to Venezuela. You have a completely different political system there and people who don't necessarily speak English at all. There is also the question of the language difficulty, the credit questions, and the fact that you are dealing with a totalitarian government. What about the American involvement and investment there? They have control of practically the whole country. I say, why disperse our

efforts in a country such as Venezuela when we have a tremendous job to do in Barbados, Trinidad and Jamaica with people who are sort of our blood-brothers?

Mr. Harbron: Who says they are our blood-brothers?

Senator Macnaughton: Well, I admit it is becoming a little thinner.

Mr. Harbron: Venezuela does not have a totalitarian government. The President, Senor Rafael Caldera, is one of the outstanding Latin American democratically elected presidents. He is in power with a minority Christian Democratic government.

The basic problem of Jamaica, and I come back to this, is the agrarian side. That has to be solved by Jamaicans. We cannot solve that problem. The whole attitude of the Jamaican government towards sugar, I find, is substantially a reactionary one. To prevent mechanization as a means of stopping the growing unemployment is no answer at all. And that is something Jamaicans have to solve. There are Jamaicans in this government and in the previous governments and in advisory capacities who are making the right motions to solve the inefficiency and over-effect of sugar on the Jamaican economy.

And even with all these historical, political and linguistic connections, it does not really make much difference. If all these islands were Dutch-speaking or Spanish-speaking—suppose the whole region had been completely held by Spain; suppose the pirates had lost all their battles and that every time a Spanish galleon went out, it beat the hell out of the English and that Jamaica did not go British in 1655—I ask myself, would it be difficult to view the region geographically as a region; could we say, well, the whole area is Spanish-speaking and it has different systems, most of which would probably be totalitarian or semi-totalitarian. So let's put all our commitments into similar regions in west and east Africa where there is English language. I come back to the point I made earlier that the Venezuelan and Colombian and, if the circumstances were somewhat different, even the Mexican requirements for skills are those of large developing countries, of which we are one. And some of our people look at the Guyana Development Corporation and ask how could the Venezuelans move so fast and commit so much of a national budget to a huge development corporation. We don't do things like

that. We often have a bookkeeping mentality of development. Yet we are on the fringe of coming up with a development corporation scheme ourselves, so I hear, namely, the Canada Development Corporation. The Mexicans have had something like that since 1934 the Nacional Financiera, and the Mexican scheme is based on a saturation of industry law which is more or less 51 per cent ownership. The Mexicans have been in this scheme a long time and they take each case more or less as it comes. Ultimately, you end up with a Mexican partnership, public or private. This is an experience the Mexicans in their own public life, rightly or wrongly, have developed over 30 years. The Guyana Development Corporation has its experience over ten years.

New townsites, moving populations around, giving meaningfulness to life in new towns, justifying the kinds of budgeting that require development corporations to grow—these have all come along in the experiences of Hispanic-American countries. They don't need us for those. What they need us for is to make it work properly, to introduce our management skills. Those are largely basic to us now, but maybe 35 years ago we didn't have them.

Senator Macnaughton: On page 4 of your brief you say:

The Jamaicans also look with some longing at the nearby Puerto Rican experiment...

Do you think they would be prepared or would like to get into a similar experiment with Canada or the United States?

Mr. Harbron: I would think so.

Senator MacNaughton: If so, which country? They might sacrifice their independence.

Mr. Harbron: I would imagine they probably would choose the United States, because the working example is Puerto Rico. But again, the great advantage which Puerto Rico has is that Puerto Ricans are American citizens. Another advantage is the off-shore arrangements which have developed over the last 25 years. There is a suggestion by Mr. Roy Matthews about Jamaica becoming a Hong Kong of the Caribbean.

The Chairman: Just to clarify, I don't think it was a suggestion. It was a speculation.

Mr. Harbron: Well, Mr. Matthews and I have speculated about that before.

Senator Macnaughton: On the OAS, what benefits do you think Jamaica, Barbados, Trinidad and Tobago have obtained from their membership?

Mr. Harbron: I think they are fairly clear, and some senior people in those countries will speak quite frankly about them. Certainly, in the case of Trinidad and Barbados they are in the OAS primarily because the package of aid and assistance and technological skills now comes from United States agencies. It comes from AID, the World Bank, the Inter-American Development Bank. It is self-interest largely that they are in there. As one senior Trinidadian told me a couple of years ago it would be harder for the United States to intervene in a member state in the OAS than a non-member. This seems to me to be a pretty outspoken statement of self-interest, none of which has any real bearing one way or the other on why we should enter the Organization of American States.

Senator Carter: Mr. Chairman, Senator Macnaughton covered some of the areas I was interested in. But Mr. Harbron says in his brief that in future Jamaican governments and the present critics of development policy wish to pre-empt the necessary role of private enterprise and so on. To what extent is that the result of the influence of Cuba? How would you assess the influence of Cuba in the Caribbean and in particular with this rising nationalism that seems to be growing there?

Mr. Harbron: I think the influence of Cuba has been more prominent in the countries of Spanish background, especially those where you have had a pattern somewhat similar to that of Cuba—not exactly similar—where you have had a large dispossessed agrarian sector as in the case of Guatemala, for example. The Cuba influence was of course at work in the Dominican Republic where there has always been a strong pro-Cuban movement. Again they see themselves in the phase that Cuba was in, rightly or wrongly, before 1958. I do not think it applies as much in the Commonwealth Caribbean countries. I do not think, for example, the Rastafarians in Jamaica have Castroite tendencies. Their origins are Ethiopian, and they look for a sort of nostalgic return of themselves to Africa from where they came. There are probably not strong Castroite influences in the Black Power groups in Trinidad because, as you have probably read, the Black Power people in Havana have been in trouble. In other words, the Cubans

have had their own revolution, their own thrust and their own problems, and one of the strong feelings of the Cuban revolutionaries is that they have solved the racial problem. To a certain extent this is true, because before 1958 if you were a black Cuban, you could not go into certain clubs and other places and certain jobs were closed to you. So who needs the Black Power operators from the United States or anywhere else? The thrust of the Cuban revolution is to do other things, to make the sugar economy work and create primary education, this sort of thing.

Senator Carter: But these Black Power extremists, if you listen to them on the radio or television, seem to think that they are being exploited by industry that comes in, and in your brief you state that companies like Alcan and Falconbridge and others can expect harsher treatment in the future. Now how do these extremists feel that they can solve their problems if they discourage these industries? It is all right to say that Cuba has succeeded and has done this, but Cuba has resources that they don't have. So how can they with their meagre resources hope to achieve what they want to achieve even if Cuba has done so?

Mr. Harbron: Well, in the case of Trinidad, of course, there is an important natural resource, namely oil, but I think the Black Power people are somewhat different and a little more complex than the Cuban revolutionaries. The Cuban revolutionaries have had 10 years and obviously the revolution has made some gains, some substantial gains and some substantial failures. Now Black Power is related much more strongly to race than the Cuban revolution was. In Trinidad, for example, the black population has a high unemployment, though at the present time they control government. In the Trinidadian context it may well be that the Black Power aim is to create a new and totally explosive political force which will oust the present government and bring some kind of revolutionary process to Trinidad which in turn I presume would nationalize industry. But I do not think you can quite equate it with the Cuban revolutionary experience.

Senator Carter: Senator Macnaughton referred to the Puerto Rican experiment and in your brief you say that the business school in the University of the West Indies as compared with its counterpart in Puerto Rico is very much less dynamic. Is there any special

reason for that? Is there anything there that more affiliation with Canadian universities could correct?

Mr. Harbron: Are you referring to my reference to the University of Puerto Rico?

Senator Carter: Yes. You say on page 5 that the business school of the University of Puerto Rico strikes one as more dynamic than the same school at the University of the West Indies in Jamaica.

Mr. Harbron: Well, I think it is because the men who founded it are Puerto Rican industrialists who have done very well by "Operation Bootstrap", and they feel as I was saying earlier about Venezuela that the University of Puerto Rico—which isn't exactly a centre supporting the private sector—now needed this kind of an institution. A number of U.S. companies came in but their management techniques were not adequate enough for Puerto Rican needs whereas the business school of the University of the West Indies is more oriented towards university needs than to creative business. So there just don't seem to be the dynamics there.

Senator Carter: But the economy is not as dynamic as that of Puerto Rico?

Mr. Harbron: The economy is very dynamic in Puerto Rico.

Senator Carter: Yes, but in Puerto Rico the economy is much more dynamic and they have had a greater experience but is there a reason for the difference of the dynamism in the two schools?

Mr. Harbron: Well, what they want to do is to translate the American experience into Puerto Rican conditions. In other words, they want to take the experience in management skills of the American companies in the islands and make them apply more to immediate Puerto Rican needs, and the fact is that the business school was created largely by Puerto Rican industrialists and therefore there could not be any doubt that they knew what they wanted to do. They were probably doing it against a certain amount of pressure in Puerto Rico from the *independentistas*, or as we would call them separatists. But it is private enterprise in Puerto Rico—Puerto Ricans determining from their American experience that they needed this school to make their country more competitive and more efficient, whereas one gets the feeling in Kingston that in the first place the University

of the West Indies is in trouble. It has political and ideological dissensions and its motivation seems to be more from the university side rather than from the private sector side.

Senator Cameron: May I just interrupt there? I think the key is right there, the West Indies approach is an academic approach.

Mr. Harbron: Yes.

Senator Cameron: But the other is...

The Chairman: Productivity.

Senator Cameron: Yes, and the academic approach divorced from the industrial or business approach is fatal.

Senator Carter: I just have one more question. You refer to the port. This is still on page 7. That is an example of Canada's new place in assisting the Caribbean. Are there any other developments of that kind that Canada should be interested in?

Mr. Harbron: I have a list here of the ones we have already been involved in through the Inter-American Development Bank, and they include quite a wide range of activities of the kind we have been talking about.

In Brazil, for example, \$847,000 Canadian are going into an airport facility study. One of the most interesting is training in research and technological science for Chilean university professors. That represents a \$4,200,000 Canadian loan. The Republic of Colombia established a pre-investment fund for the preparation of special projects and general studies. This again relates to what I was saying earlier, and there is a \$1 million loan to the bank for that.

In the Republic of Ecuador, where we have just closed down our diplomatic mission, there is a pre-investment study for development of the Guayas River basin, and that represents \$1,200,000—and so on, to a total of about \$50 million. And these are all in Spanish-American countries.

Senator Laird: In connection with such Canadian private investment as does exist in the Caribbean, have you any means of telling us what proportion of the profits earned in the Caribbean may be left in the area for development there, as against what is taken out in the way of dividends, etcetera?

Mr. Harbron: No other than the statements to that effect that are made by Alcan. I have asked two of the banks and they would no

give me this information, although there is a separate annual report for the Bank of Nova Scotia (Jamaica) Limited.

However, I think you would have to put somebody on that sort of study who has the confidence of the Commonwealth Caribbean governments because I think in most instances you could probably find out a good deal of information.

Senator Laird: Dealing with the matter of assistance there of a practical nature, somehow or another all of our witnesses appear to have played down the tourist industry as not being of too much value. What is your opinion?

Mr. Harbron: It is very mixed. I am disturbed when I go to the Commonwealth Caribbean by what I see outside the hotel. My wife and I can go into a hotel in Montego Bay and we can pay \$7 each for supper, and I know that the laundress or the housemaid, who is employed by a friend of mine who may own a condominium, is getting \$14 a week, which is what we are paying for our supper.

I also know in Montego Bay there is only one small part of the beaches where Jamaicans can freely go and swim. Have you tried to use Jamaican money in Montego Bay? I lived in Cuba in the 1940's, and I remember all these things. Cubans could not go to Varadero Beach. As I said in my pamphlet, you look into the eyes of these people and you see the resentment, and yet I like a holiday in Jamaica or the Barbados or Trinidad. Personally, I prefer the Spanish-speaking countries. So, that is partly an emotional response, but it is partly one that relates to all these expectations that have not come about for most of the people of Caribbean America.

Yet, on the other hand, one cannot deny the substantial advantages that tourism has brought to these countries. I have been putting a lot of emphasis here on training and developing skills and, surely, one of the most aggressive training programs in the whole Caribbean has to be that of the Barbados government to train people to manage hotels in the Barbados, to serve the tables properly, to bring employment from the sugar estates and into the hotel industry. The Prime Minister of the Barbados said on one occasion that he would like to take every acre of sugar estate and turn it into industrial estate or tourist facilities.

So I think you have to weigh these two things. To put tourism in the picture that we talked about earlier, yes, it is a worthwhile investments up to a point, but so it introduces all the affluence of the metropolitan countries to the Caribbean people. They know that you are paying as much for a meal as they would be paid for a week's work in a home. Then too, to what extent, coming back to race, are Jamaicans, Trinidadians or Guyanese allowed into certain hotels unless they happen to be upper class?

So, really, it is a mixture of responses—the concern that some day it really all has to end in the sense I put it. The Jamaicans simply have to have access, if I can put it that clearly, to their own beaches. In Puerto Rico this is the case. I understand that in Puerto Rico the beaches are the public domain, in spite of the tourism in that island.

Senator Laird: But in the meantime does it not in fact contribute substantially to the economy of these various islands?

Mr. Harbron: I do not think tourism would contribute as substantially to the economy of these islands, as, say, agrarian diversification would. You have the hotels with their own patterns of capital formation, and with substantial number of dollars going out as expatriate earnings. We know that in Jamaica \$72 million in foodstuffs is imported annually. It would seem to me that in time the greater contribution to the Jamaican economy would be through resolving the unresolved problems of their agrarian side.

Senor Laird: Just one other question. I note with interest your reference to the University of Western Ontario, being a graduate of that great institution myself. But being practical, would a graduate of the School of Business Administration be of much utility down there in advancing technical know-how unless he had special training of some kind—training in the history of the Caribbean, in the Spanish language, let us say—a very special type of training?

Mr. Harbron: He really has to have that. If it is the Hispano-Caribbean, he has to have Spanish. If it is the Commonwealth Caribbean, he should have an understanding of and sympathy with some of the things we have been talking about today. I suppose it is a form of exploitation, really, to put a bright young man into a Commonwealth Caribbean country with no sense of the racial problems, with no sense of the historic flow of trade unions and political parties.

The CUSO people and the missionaries engage in language training and political training schemes. For instance, the Anglican church has a Diocese in Venezuela, where Bishop Guy Marshall is fluent in Spanish. The priest in charge of the church in Caracas also speaks Spanish. The Diocese has a few people in community development, all of whom speak Spanish. They are products of a church school at San José, Costa Rica, for teaching Spanish to missionaries.

Senator McLean: My question is in regard to the area in respect to tourists. Are we welcome visitors in that area as tourists?

Mr. Harbron: Sure.

Senator McLean: Do they look on us as welcome there?

Mr. Harbron: Suppose you get out of your car along the north shore road to Negril the beach which has not been developed. Just get out of the car, tell the driver to take off, and go and talk to some of the people who are living in huts, who have children not in school and who will never be. Ask them.

If you go into the larger urban areas, sure, you are meeting people who more or less have the same advantages as we do. I was lost once in the slums of Caracas with a priest. Neither of us were particularly well-received, in spite of the fact that both of us could speak Spanish. All we wanted to do was to find the way out again. It depends on the community you are referring to.

Senator McLean: You mentioned shipping. Is there any movement afoot on the east coast? They are all depending on one line. It is a case of moving the commodities going north.

You are at the mercy of these fellows and everyone seems to know that you can pay. There are increases as high as 20 per cent. Is there any movement amongst any government to do anything? Someone has to pay. In the Jamaica area, they have laws there where you are not allowed to add more than 30 per cent on. You cannot do it?

Mr. Harbron: That is an excellent question, Senator McLean. A few years ago the Ghanians wanted to start a national shipping line, the Black Star. They made a management contract with Zim Israel Shipping Line to train officers and crew. There was a percentage of profit arrangement. So today, the Black Star is Ghana's national shipping line.

It has a fleet of new Dutch freighters, general cargo freighters, which carry the same kind of cargo as exports for some of the Caribbean countries. They go to many places. They come through the Sseway to Toronto. My question is: why not make national shipping lines in charge against the budget of Jamaica or Trinidad, if there is no other way. After all, it has been done with Air Jamaica. There is a 50-50 deal with Air Canada to develop a Jamaican state airline. Air Jamaica comes first because tourism is in the minds of the government. But surely the way to get Jamaican products up here is possibly through a national shipping line? Some of the African countries are far more advanced than some of the Caribbean countries in respect to subsidising a shipping fleet. You cannot, say, use the Alcan fleet because the carriers carry cargo one way, loaded, and they go the other way in ballast. They are not built for the kind of shipping we are talking about.

Senator McLean: They are built for picking up one cargo one way, but they carry bauxite back and they carry general cargo south.

Mr. Harbron: What we are talking about is a transportation facility for export from the Caribbean.

Even if that does not develop, how are these countries going to increase exports among themselves in a co-operative arrangement. They cannot do that if they have not got the shipping service. They may have been able to do something through ship charters and Ghana had this before they bought their own ships. Why do the Jamaicans not attempt a management contract with Zim? Probably Zim is the most successful state shipping line.

Senator Grosart: Mr. Harbron, is there a danger on the issue of the public sector of Canada spreading itself too thinly, trying to establish a presence on every Caribbean country and in South America? Would it not make more sense for us to take one area and try to make a real impact in that area—and naturally I am thinking of the Commonwealth Caribbean?

Mr. Harbron: I do not think we would be spreading ourselves thinly, because again I go to the Spanish Caribbean and look at our loans which have been made through the Inter-American Development Bank. A lot of them have been associated with projects that would not have emerged or would not have been decided upon if there had not been a Central American common market or a Latin

American free trade area. So, in this sense, I think we are not over-extending ourselves in the public sector, if we were to continue at this rate, which I understand more or less we are going to do to try to get up to 1 per cent of the GNP. Second, we are involving ourselves in the decision-making processes, as these regions, and these countries in these regional groupings, best see it. Whether we like it or not, it is better to have small Central American republics coming together and deciding on a port and arrangement, rather than trying to work out some kind of local arrangement which would come under the control of extremists or black power groups who would pre-empt anything we might wish to do.

Senator Grosart: My question is related specifically to the impact of our necessarily-scarce resources. I would go beyond the Caribbean and say, does it make sense for us in the public sector, to be trying to do something in 72 countries of the world.

Mr. Harbron: Not with what we need for infrastructure development right here at home. But then again, I detect some future decision-making here in Ottawa, as to whether we are going to continue to do the things in Caribbean America, or whether we are going to have a deeper commitment in Francophonie, or French-speaking Africa. In this case, the circumstances are a lot different. If we get involved in Francophonie Africa with the sort of thing we are talking about here, then we are going to work in some countries not as well advanced as Jamaica, Trinidad or Guyana.

Senator Grosart: Does it make sense to take the Puerto Rican, the Dutch Antilles, the Taiwan models, as indicators of the fact that a crash program by one country in one underdeveloped area makes more sense than everybody trying to spread all over?

Mr. Harbron: Senator Grosart, if we had been at this point before the big viable places in the Caribbean had become independent, perhaps. But, when you say this is relevant to Jamaica, you are saying it is relevant to an independent nation state. And Guyana is a new independent nation state, and Puerto Rico is United States territory.

Senator Grosart: What about the Dutch Antilles?

Mr. Harbron: I think the Dutch do an exceptionally good job in their own dependency and I do not think they really need anything in the nature of the sort of research we are talking about, apart from a feasibility study.

Senator Grosart: This is the point I am making, that it was Dutch national policy to concentrate in those areas. I am suggesting that this is the reason that you have a situation where the Dutch Antilles have a much higher per capita income than the rest of the Caribbean.

Mr. Harbron: Let us suppose that this is something that the metropolitan power should have done at an earlier point of time—say, the United Kingdom. But it was difficult for the British to do this, because the major association between the United Kingdom and its colonies in the West Indies was sugar; and again, sugar was cartelized in a different way in the nineteenth century than it is today. So it meant getting out of the sugar economy which the sugar industry cannot even do today.

I think that in our case we are too late in time to take on a commitment like this. I suppose, in effect, it would mean some kind of associate status, like the Puerto Rican one with the United States. I think it is too late for that.

Senator Grosart: I myself do not think it is too late and I do not think that if there has to be a direct political association to validate the point of view I am taking. However, I will leave that point.

I am disturbed here when we discuss the Caribbean and the links from Canada, we are always speaking of what the Caribbean should be doing. Almost everything you said could be said about Canada. You could say, for example, in regard to wheat in Canada as could be said in regard to sugar in those countries. We could ask about their production of sugar and they could ask about our production of wheat at this time. There is also the question which could be raised about foreign ownership.

Our public sector aid is on the basis of response. I understand you to say that the most important thing you could do—and I am not objecting to it—is to provide managerial and entrepreneurial skill. If you respond to requests from these countries, the question which rises in my mind is, have they asked for this and if your thesis is right, why have they not?

Like you, I know some of the leaders in these countries, and they are highly intelligent men. If this is so, why are they asking for the things they are asking for, rather than what you suggest they should be asking for?

Mr. Harbron: I think that partly the reason they do not ask is because of this sharp cultural dichotomy that historically is taking place between Canada and the Caribbean America. We are known to have connections with the Commonwealth Caribbean and in effect we have them. Our negative attitude about the Hispanic Caribbean and, I suspect, that of some people in government and in External Affairs who have served in the Spanish-speaking Caribbean countries is an extension of the way a lot of us feel about our own French-speaking citizens.

Senator Grosart: Why are not the Commonwealth Caribbean statesmen asking for these things?

Mr. Harbron: I think they are. I think in their own way they ask for various kinds of infrastructure help which I submit they do not need. They have enough people within the Commonwealth Caribbean countries to solve their own problems.

I think this came up in an earlier submission, but if you bring in CUSO people or people with a religious background, and put them into a community development where they are paid a nominal amount, then this detracts from the necessity of Jamaican planners to resolve the educational crisis or the housing crisis themselves. The CUSO people or the missionaries go in, and say that they will carry out a particular program, but I do not see how it can possibly solve the problem because only a very few of them go into these islands, and the Jamaican school problem is something which the Jamaicans have to solve. It is not something that we should be solving for them.

Senator Grosart: You mentioned the hardware infrastructure, such as roads. Are we in Canada not in exactly the same position? We have had the Americans build much of our infrastructure, such as the Quebec North Shore and Labrador Railway and the Alaska Highway. Why should we be the ones to tell them that they should be doing this, that, and the other thing?

Mr. Harbron: If you take a week off to drive around Jamaica you cannot help but make some comment about their ghastly road

system. You could make some sophisticated comment about their doing away with their tax holidays and say: "You are not collecting the money because you are giving tax holidays to hotels. This money should be going into the fiscal system to build decent roads in Jamaica." I have asked Jamaicans that question.

Senator Grosart: You could make the same comment about the roads in Ottawa.

Mr. Harbron: The Americans did not build the Trans-Canada Highway. It is at least 25 years since the Alaska Highway was built. We have in this country a British tradition of road building. It was the Royal Engineers who a long time ago built roads in this part of the world and who built the Caribou Trail. We do not need to ask somebody else to tell us how to build a road such as the Trans-Canada Highway. I do not think the Central American countries need help in putting the Pan-American Highway through.

Senator Grosart: But they have to get their money from somewhere, just as we had to get the money to build the Quebec North Shore and Labrador Railway.

Mr. Harbron: Some of the South American countries got some of the money through their tax streams which are not particularly great, but a lot of it has come from the International Development Bank and the World Bank. But, they still need engineers and engineering firms to give them guidance as to where the roads should go. They still need the heavy equipment to build the roads.

Senator Grosart: Coming back to this question of the general competence of many statesmen down there, if, for example, the Innwood Estate to which you referred can supply the whole of the agricultural market demand in Jamaica, then why is that not done?

Mr. Harbron: Let us come back to wheat. Why cannot we somehow or other find a satisfactory substitution for the amount of wheat that we grow? Commodities always seem to be in deep trouble, no matter what kind of a system you have.

As you said earlier, Senator Grosart, Jamaicans can come back to me if I criticize their sugar economy, and say: "You are in the same position as we are. You are going to subsidize your farmers for not growing wheat. We stopped the mechanization equip-

ment from coming in." But, I think a start has to be made. For example, there is a company in Jamaica called Jamaican Frozen Food Service. It is one of the first companies of its size in the Commonwealth Caribbean. It has a clear market under CARIFTA because it manufactures a mixture of aki and Canadian fish a staple food product of the lower classes in the Caribbean, and it is starting to export it to other Caribbean countries. It would like to extend its product line into other frozen food products such as frozen vegetables and fruits, but in this it faces difficulties. There is no quality control. It cannot rely on the stuff coming in day by day to its plant so that some kind of production volume and sales program can be set up whereby it can sell its products and utilize the CARIFTA arrangement. That is the kind of place where a beginning can be made.

There must be improved quality control and marketing, but again the Jamaicans come back to you and say: "All right, let us look at that Innwood Estate. How many small farmers are feeding cane into that estate?" The answer is that there is a substantial number, so what do you do? Incidentally, that particular estate has gone into the manufacture of rum as part of its diversification. But what do you do with all these cane farmers? Their association is a very powerful one in Jamaica. Are they going to take all these little lots, and non-competitively start growing fruits and vegetables? The answer is extremely difficult, but again I repeat that the problem is largely Jamaican, and the answers have to be largely Jamaican—or Trinidadian, or Guyanese.

Senator Grosart: Do you think there is any real possibility of off-shore managerial and entrepreneurial skills performing a really large scale function other than when they are tied to off-shore investment dollars?

Mr. Harbron: Well, I really do not, Senator Grosart, because the Puerto Rican experience with off-shore is totally different from the Jamaican.

Senator Grosart: I am not referring to that. I am asking: In general, can you get "do-gooder" managerial and entrepreneurial skill to perform a large scale function? By "do-gooders" I mean people who are sent in there at, say, the expense of Canada to do a good job for them.

Mr. Harbron: They do in a very old-fashioned way. There are several little off-shore operations of Canadian companies along the

north shore of Jamaica. I have visited quite a few of them. They live very close to their people. They might have 75 or 100 women who will come in from the villages to do piece work. Their weekly income is not very large, but it is an income, and most of it is disposable in that community.

Senator Grosart: Excuse me, but this is tied to the dollar investment.

Mr. Harbron: Yes, all of the raw materials are imported duty free. For instance, there is one company that makes baseball gloves. All of the materials are imported duty free, and all they do in that off-shore setup is sew together components.

You talk about do-gooders, but the chap who runs that little plant is next to his people. If he has three or four key ladies who are sick for the day, then he knows about it right away, and he wants to know how long they are going to be ill because they are vital to his small fabricating operation. Clearly the off-shore plants do serve a purpose in the Jamaican scheme of things, yet how many of those ladies or their families should be more gainfully employed? Again, I come back to the agrarian side.

Senator Grosart: I do not think I made my question clear. I was trying to make a contrast between what I call the "do-gooder" managerial and entrepreneurial skill, and that tied to the dollar investment. It seems to me that your suggestion is that as part of our external aid some of these countries should send us down some experts to tell us what to do about import substitution, which has nothing whatever to do with any benefit from Canada. I am all for that, incidentally.

Let me again branch out of the Commonwealth Caribbean and come back to the Dominican Republic. After the Santo Domingo intervention in the Dominican Republic in 1965 the American AID operation went into the Dominican Republic in some strength. It was largely an intervening process. It worked with what would become a Dominican internal revenue service, with the Government on vital resources and the school system. It is almost a study in itself as to whether all these specialists can intervene in a place such as this and, in effect, modernize, change attitudes, make a tax system and public services viable and useful. I submit that Jamaica is beyond that stage. Jamaicans are perfectly competent to make these decisions within their own government agencies. For example

they do not need us to tell them how to make the Citrus Marketing Board into an exporting agency. Maybe the Dominicans or Central Americans, who are further behind in public service administration development, would need this kind of approach.

Senator Grosart: Mr. Chairman, I see it is one o'clock. I have many more questions aris-

ing out of the very interesting presentation by Mr. Harbron. May I congratulate him on the interesting comments he has made.

The Chairman: I can only reiterate, Mr. Harbron, that we are very grateful. It has been a very full, interesting and stimulating morning. Thank you very much.

The committee adjourned.

APPENDIX "G"

BACKGROUND STATEMENT

for

STANDING SENATE COMMITTEE

on

FOREIGN AFFAIRS

Canada in Caribbean America:

Technique for Involvement.

By John D. Harbron

The Canadian involvement in Caribbean America—and by this I automatically include the Hispanic Caribbean, French and Dutch-speaking places, as well as the Commonwealth Caribbean—has followed two traditional streams.

The first is our private sector involvement—substantial Canadian commitments in some countries like Jamaica, Guyana and the Dominican Republic, and typically concentrated in extractive industries and banking. The second is the public sector, but with a mix of our private/public roles in some important cases.

More diffusely spread, the public sector side includes capital grants and loans made through governments or international banks to develop new private industry, as well as for genuine public sector and social development schemes. The latter would include government-to-government aid, for example, assistance to the University of the West Indies, Mona, Jamaica or the University of Guyana, teacher training programs, CUSO community work, the missionary role of the various Canadian churches, chiefly the Roman Catholic.

In a few isolated but very prominent cases, such as the infrastructure development role of Alcan in Jamaica or the forthcoming parallel role of Falconbridge Dominicana S.A. at Bonao in the Dominican Republic when a new town will emerge after the plan goes on stream in 1972, the Canadian private sector and the local Caribbean public sector invariably come into contact. And, so far, in the Canadian experience, such associations have been amicable, free of clashes of principle or ideological purpose.

I submit this passivity will not always be the case. Both Falconbridge and more especially EXMIBOL S.A. (International Nickel's Guatemalan subsidiary) when it concludes a long-awaited contract with the Guatemalan government for a future smelter at El Estor, may cope with the same kind of political

resistance to large foreign-owned industries dominating a small Latin American economy which American enterprise has endured—and not always successfully—for the last 25 years.

The gap between the national budgets of these small but vitriolic Caribbean republics and the estimated earning power of the local, giant smelters of these two corporations, will be very narrow. The Guatemalan budget has been running at about the rate of \$150 millions per annum.

How we will cope with a possible *el pulpo segundo* ("the second octopus") in Guatemala—bearing in mind the manipulative role of *el pulpo primero*, United Fruit Company, in the national life of Guatemala—is locked in the hearts and minds of Guatemalan politicians and intellectuals. Our success will be a measure of our somewhat more balanced skills as entrepreneurs in developing countries than Americans have often shown themselves to be.

Even in Jamaica, where Alcan has created an admirable social development apparatus in the region where it functions (most of it beyond the legal requirements for restoring land use from bauxite extraction), harsh political reaction against large Canadian private enterprise must be anticipated within the next decade.

Some very bright Jamaican politicians and intellectuals keep totting up the net profits from Alcan's Jamaican operations, comparing them with Alcan's slim royalty input into that country's fiscal stream and then drawing unhappy, though not accurate conclusions. These are that Alcan is one of the chief foreign exploiters of Jamaica, shipping out millions of tons of Jamaican soil for a pitance royalty agreement.

The same academic critics ignore the fact that Alcan (Jamaica) Ltd., as a company incorporated in the island, contributes at the Jamaican tax rate of 50ff on book profits, and that this has recently risen from a rate of 40%.

These exponents of Jamaican nationalism (a phrase I have rarely heard used in the context in which it is used by Dominicans and Guatemalans) will want a greater cash flow within the Jamaican tax system from foreign enterprise and with it the opportunity for the state to develop infrastructure as it sees the need, not as the big extractive and smaller foreign-owned manufacturing industries see the need.

And by exponents, I do not mean Black Power extremists and revolutionaries, but those Jamaicans within national party, trade union and educational structures who express growing resentment against the expatriate ownership of all of Jamaica's major units of production.

Jamaican infrastructure—or public services, if you like—is in dire peril. The Jamaican road system is among the worst in Caribbean America. The schools can cope with only about 50 per cent of the children. Utilities are inefficient and often very badly managed. The net export of human skills from that island nation—and from some of the others like Trinidad—is serious and will increase unless the local environment offers better opportunities for employment. Unemployment is staggering, running between 15 and 20 per cent in an island economy which shows a capital surplus. And much of the unemployed, in view of the kinds of rate of change in the island, is in effect, "Unemployable".

Re-training schemes, much less sophisticated than the ones recently introduced in Canada, are as yet unknown in Jamaica, though badly needed. Illiteracy rates, like unemployment, are never fully revealed by Jamaican or other Commonwealth Caribbean governments, but are too high in a country with enough of the administrative skills needed to bring about all the basic rudiments of modernization.

The sad fact is, Jamaica unlike her historically less-fortunate neighbors, the Dominican Republic and Haiti, has had both the potential and the heritage of administrative excellence required by a narrow, developing country.

If future Jamaican governments and present critics of development policy wish to pre-empt the necessary role of private enterprise by increasing fiscal resources from larger royalty agreements, higher corporation taxes, an end to tax holidays, they must show some skills never seen before in solving their social needs.

It is up to the Jamaicans themselves to rebuild the road system, build adequate schooling, offer incentives to keep their technicians and professionals at home. They pride themselves on not having travelled the sad and desperate road to chaos and despair which is Haiti's lot, thanks to a very long period of British colonial rule, with its mixed benefits for the creation of trade union, political and basic educational structures.

The Jamaicans also look with some longing at the nearby Puerto Rican experiment—somewhat disadvantaged in their comparison by the fact the island was already U.S. territory and Puerto Ricans unlike Jamaicans, have always been free to seek a happier lot somewhere else within the economy of the metropolitan country which dominates their island life.

Somehow though, the Puerto Ricans established an initial formula for growth through state entrepreneurship, an historic fact long forgotten by the big private corporations now in the island who once shunned Puerto Rico as a somnolent backwater. The models for the shining diadem called "Operation Bootstrap", more accurately PRIDCO, (Puerto Rican Industrial Development Corporation) were not from private industry. The two which most inspired former Governor Muñoz Marín were Chile's successful CORFO *Corporación de Fomento de la Producción* (Chilean Development Corporation) formed in 1939 and Mexico's perhaps even more successful Nacional Financiera S.A., the government's development bank, (not a bad model after 35 years in business for our Canada Development Corporation when and if it ever comes).

When slow-moving landowners and sugar estate operators saw what the state could do to promote and capitalize new industry, they joined "Operation Bootstrap", and pre-empted the Puerto Rican government as industrialist, which they were meant to do. The big thrust of course, came from mainland industries, taking advantage of tax holidays up to 34 years in length and low island wage rates, which flooded in between 1947 and 1967.

Puerto Ricans quickly grasped the management and technological tools available from incoming private enterprise. Puerto Rico's phenomenal growth rate, about the same as Japan's 10 per cent per annum increase, is an honest measure of that success. The business school of the University of Puerto Rico strikes one as more dynamic than the same school underway at the University of the West Indies in Jamaica, Canadian assistance to the latter notwithstanding.

Jamaica now has substantial human skills (including the ones overseas) compared to her island neighbors the Dominican Republic and Haiti, a good deal of them transferred or created by the corporations, large and small, which Jamaican tax holidays and other incentives have brought to the island.

Yet the productivity centre of the JIDC (Jamaican Industrial Development Corporation) a state agency is researching the high cost per worker of creating new skilled jobs, a reflection that the investment pattern is somehow out-of-balance for the benefits which the economy urgently still needs. But I submit these are primarily Jamaican problems which Jamaicans themselves must solve. The Puerto Rican case, in spite of its special circumstances, the chief being the easy accessibility of the metropolitan U.S. market, shows how it can be done in a Caribbean society.

Let me comment briefly now about our public sector commitments. Those Canadians committed to public and social sector commitments in Caribbean America, have similar hang-ups about our role and purpose to private sector operators. Too often, for example, devoted and admittedly skilled practitioners in what sociologists call "community development" or "social process intervention", attack all the existing institutions and call for changes in them with a zeal that detracts from their needed role.

Sociological entrepreneurs such as our devoted and hard-working CUSO teams, the historic function of the Canadian Oblates especially in the Hispanic and French-speaking Caribbean, respond to the grinding problems and unrelieved misery of 10 to 25 per cent of national populations who exist at subsistence levels.

The historic and contemporary role of the Canadian Roman Catholic Missionary in Caribbean America is large. As many as 400 Canadian-trained priests have worked at one time in the Dominican Republic. Perhaps half that number functioned in the various dioceses of the Roman Catholic Church of pre-Castro Cuba. I can remember a Montreal Jesuit who was Vice Rector of Colegio Belén (Bethlehem College) in the Havana suburbs, in 1947, the largest boys' private school in Latin-America—and Fidel Castro's student alma mater incidentally.

For the truly devout among the churches, it is hard to tread the same kind of road which the Master once trod, among the same kind of people, the poor, the lonely, the sick, or what we slick moderns call "the disenfranchised", and not feel that their calling remains the Master's calling:

"I was hungry and ye gave me to eat; I was sick and ye took me in. I was naked and ye clothed me."

And in Canada, a country free of ideological rationales for determining a Canadian role in Latin America, the compassion associated with this kind of Canadian involvement, is the kind we anticipate from our particular national environment. In other words, there is little if any need for a Canadian priest or minister to "go over" to the guerillas in the Guatemalan or Colombian jungles because his country is imposing the external functions of a domestic military-industrial complex over the defenceless fabric of a weak developing nation.

It is true—and it is not old-fashioned moralizing—that in determining future techniques of involvement in Caribbean America, the Canadian role whether "modernizing" through the private sector or "missionizing" through the social one, mirrors a somewhat different image.

But it is equally true that Americans with various kinds of zeal to stimulate social change in the Caribbean—whether through a management training program in a subsidiary manufacturing plant, or via a priest's work in the slums—have often gone forth with a sense of mission not unlike our own. No matter how progressive that role might have been, the overwhelming economic and political influence of their country in Caribbean America or Latin America has played havoc at times with their best intentions.

How then do we proceed—given the wide range of skills which we currently offer Caribbean America, for example, capital intensive industries, banking, infrastructure aid, loans, CUSO, and priestly interventionists in backward societies, fomenting cultural exchange? How then do we proceed bearing in mind the different rates of growth and of institutionalization in the numerous Caribbean national societies?

We become involved at levels and in the way in which national societies in Caribbean America can best use "the Canadian experience". And this means association in projects with which Canadian enterprise as yet had little or no connection—as well as phased withdrawal from some which have been our traditional places for aid and assistance.

Such an example of a "new place" is our little-known funding of the modernized, deep-sea port of Acajutla in El Salvador, through a \$6.4 million loan made to the Inter-American Development Bank and disbursed by it through the central bank of the Central American Common Market.

This is the only working common market outside the giant European Economic Community and has had a good deal of success in working out a planning and modernization process (bearing in mind the desultory record of Central American political struggles).

Canada did not have any major role in the planning decision of the CACM bureaucrats (most of them Central Americans) to modernize this particular port. In fact, a good deal of internal discussion among the member republics of CACM preceded it. Guatemala as the largest CACM member republic, hoped the market would finance its much-needed Pacific outlet. Honduras hoped the same process would supply it with a modern sea port. But the decision was made for Acapulco because of transportation convenience for the whole market relative to shipping out raw material exports, importing needed machinery and other necessary finished imports.

Our most meaningful aid and assistance in the longterm future to individual countries of Caribbean America should go into a large and underdeveloped republic like Venezuela, and not necessarily into the familiar and in the instances I have indicated above, well-equipped ex-British Caribbean islands.

Venezuela has strong parallels to Canada. Most of the land is empty, hungry for development, hungry for people. But like Canada, Venezuela is under-populated. Her economy, like ours, is dominated by foreign ownership of her extractive and manufacturing industries. Oil and iron ore predominate, extractive subsidiaries, like many here, being U.S.-owned.

Unlike Canada, but like many of her Latin American neighbours, Brazil, Colombia and Chile, she has assumed forced-draft measures to develop her interior, while substantial Venezuelan earnings from oil and iron ore exports can still be maintained at a high level.

Many Venezuelan skills in engineering, management, professional development have been imported from U.S. and European sources as have many Canadian ones. Caracas, like Edmonton, Calgary or Vancouver, is an urban centre on the fringe of wilderness, a market place for the modern skills of development.

But like Canada, Venezuela has narrower resources of trained managers in business, technocrats in government. How to adapt the technology and managerial know-how of the

big metropolitan country to the smaller Venezuelan national need is a joint problem, Canadian as well as Venezuelan.

In a new association of these skills, since Canada has absorbed much more of them than Venezuela, is where one part of our future Caribbean commitment should lie, not with aid and assistance to Commonwealth Caribbean countries with a surplus of administrators and professionals who must come to Canada to find work.

I can remember a discussion in Caracas in June, 1964, about the establishment of a new Institute of Management for Venezuelan private industry and government in which no one involved had ever heard of our University of Western Ontario's School of Business Administration. It has trained or re-trained thousands of Canadians for middle management positions in Canadian companies owned by American or European parents and using their management skills adapted to the Canadian need.

Instead the Institute of Management would be established by a tripartite group, the Venezuelan Government, Creole Investment Corporation, an imaginative investment subsidiary of Creole Petroleum, subsidiary of Standard Oil of New Jersey (and Venezuelan counterpart to Imperial Oil Limited in Canada) and the School of business of Northwestern University in Chicago. Surely the business school of the University of Western Ontario would function under very familiar circumstances as the academic partner in that Venezuelan arrangement?

In another sense, in our relations with Castro's revolutionary Cuba, we see a different "Special role" for us in the Caribbean. For the first time, Canada has been requested to participate in a dynamic social revolution, but on its own terms. Cuban needs, bearing in mind the all-embracing nature of Castro's revolution, are not created by us, neither by the Caribbean markets for our private sector, nor from the infusion of our ideas of social development in Cuba.

What Cuba wants from us, is what Cuba in its own revolutionary framework, needs from us. So far, this has largely involved our agrarian sector, exports to Cuba of breeding cattle, farm products and chemicals, poultry, light farm machinery, flour.

In return, the Cubans are eager to increase their raw sugar exports to our domestic market and presently must do so against the preferential and quota systems which give various kinds of price advantages to Com-

monwealth Caribbean sugar exporters to Canada, many of whose sugar industries are becoming increasingly high-cost and inefficient.

We should welcome this kind of potential for a balance-of-trade between Canada and Cuba. Some of our manufacturers also welcome the prospects of Cuba as a market for those finished goods, machinery, industrial chemicals once bought by Cuba from the United States.

The Cubans don't need our missionaries, our CUSO people, our ideas of development. Canadian tours to Cuba by students, academics, trade unionists are made to inspect—and one suspects—become inspired by the Cuban experience. The cost has been great in terms of personal freedom. But Cuba under Castro has conquered many of the relentless lags in education, welfare and social development which drag on interminably and without any massive change in most of the other Caribbean American societies.

All this means, that in terms of present commitments, especially in the Commonwealth Caribbean, there will be a phasing out, but not necessarily any rush to new style Canadian roles of the Venezuelan, Salvadorean or Cuban variety, unless an increased awareness of Canadian skills comes to these places.

The clear exceptions are where Canadian enterprise maintains or will soon maintain a strong or dominant role in extractive industries. I have hinted at the potential difficulties facing Alcan in Jamaica in the decade ahead—relative to whether the Jamaican public sector has the competence or the desire to assume much of the enlightened social projects which Alcan (and for that matter its U.S. competitors in bauxite extraction) have also undertaken.

Falconbridge Dominicana S.A., to go on stream about 1972, and EDMIBOL S.A. (Inco), perhaps later in Guatemala, offer exciting possibilities for very large, and one anticipates, enlightened Canadian giants to help diversify needy but highly sensitive Caribbean republics. The way in which Falconbridge will create a Canadian-inspired new town at Bonao—and hopefully avoid the pitfalls which have accompanied so many of these necessary urban advances by U.S. industrial giants in other places, will make one of the outstanding reports of Canadian achievement overseas for the latter half of this very complex century.

There is yet another commitment which Canada has begun and should maintain. This is assistance and aid to Caribbean schemes for economic integration.

These will keep us in touch with our traditional place for aid, the Commonwealth Caribbean, but of necessity, draw us also into the other areas, where so far, our role has been spasmodic.

The two area structures for economic integration, the Central American Common Market (CACM) and Caribbean Free Trade Area (CARIFTA) are new, still facing serious growing pains, especially CARIFTA where the smallest places in the Commonwealth Caribbean already want to break away from it and form a regional economic bloc of the Eastern Caribbean.

Caribbean states in neither of these groupings, especially the Dominican Republic, are making motions to join in both directions, the Dominican leaning toward CARIFTA currently being stronger than her desired membership and Trinidad, which once held themselves aloof from the "Latin Caribbean," see the advantages of economic liaisons with the Dominican Republic in the first instance and Venezuela in the second.

Our recent financial contribution of \$15 millions to the new Caribbean Development Bank formed last year, (\$10 millions for new capital for the bank, \$5 millions for a "soft loan" Special Fund) we must continue regardless of how old commitments to individual countries might phase out, new ones appear.

After all, we can finance a new port here and there, or help modernize management from time to time. But as a middle power with substantial resources and experience to put to work in Caribbean America, as one expert said, "Canada would be dealing at the same time not with a nation of one million people, but with a whole area."

In conclusion, we are going to negotiate, in all probability, with some very tough regimes in the Caribbean within the next few decades. There is no assurance Jamaica, or Trinidad or Guyana will remain "Stable" as we understand the expression. In fact, Jamaica on the fringe of the 1970's, is a net capital exporting nation, but a developing country with one out of four Jamaicans permanently unemployed and looks alarmingly like the affluent Cuba of 1958 on the fringe of the 1960's.

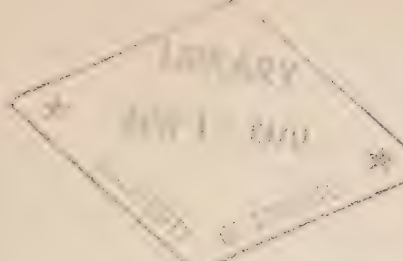
Finally, I repeat the words of my American associate John Plank, "I come to the Caribbean as a totality from Latin America. I have never been a specialist in Commonwealth matters. My own background is Latin America with special interest in some parts of Latin America."

I would add, as a Canadian, which Mr. Plank would not do because he is too polite to comment on our national characteristics, that we drop our blinkers about the need to associate with the Commonwealth Caribbean

before the rest of the region, as well as end our frequent moralizing about a Canadian role. The phrase "anti-Canadian feeling" from the recent Port-of-Spain riots in Trinidad, regardless of the extremist source, indicate some West Indians see us as "the Canadian Empire".

Cultural disassociation from the purely British experience should become as popular and just as essential in Caribbean America as it is becoming at home.

Ottawa, Ontario, March 17th, 1970.



Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON
FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 10

TUESDAY, MARCH 17, 1969

Complete Proceedings on Bill C-12,

intituled:

"An Act to establish the International Development Research Centre".

WITNESSES:

Dr. O. M. Solandt, Chairman of the Science Council of Canada; and
Dr. Stuart Peters, Co-ordinator of the program to establish the Inter-
national Development Research Centre.

REPORT OF THE COMMITTEE

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>),	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, March 5, 1970:

Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Martin, P.C., seconded by the Honourable Senator Benidickson, P.C., for the second reading of the Bill C-12, intituled: "An Act to establish the International Development Research Centre".

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald, that the Bill be referred to the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, March 17th, 1970.

(11)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 3.05 p.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Cameron, Carter, Croll, Eudes, Fergusson, Grosart, Haig, Laird, Macnaughton, McLean, Pearson, Robichaud and Yuzyk. (4).

Present but not of the Committee: The Honourable Senator McDonald (*Moosomin*).

In attendance: E. Russell Hopkins, Law Clerk and Parliamentary Counsel; and Mr. Bernard Wood, Research Assistant to the Committee.

The Committee proceeded to the consideration of Bill C-12, "An Act to establish the International Development Research Centre".

The Chairman (Senator Aird) introduced the following witnesses:

Dr. O. M. Solandt, Chairman, Science Council of Canada; and

Dr. Stuart Peters, Co-ordinator of the program to establish the International Development Research Centre.

Clauses 1 to 9, inclusive, of Bill C-12 were adopted.

On clause 10:

Honourable Senator Macnaughton moved that the clause be amended by deleting subclause (3) and substituting therefor the following:

"(3) One of the governors, who is a Canadian citizen, other than the Chairman and Vice-Chairman, may be a member of the Senate or a member of the House of Commons; he will not be paid remuneration but shall be eligible for expenses and, if he is a member of the House of Commons shall not, by reason of his being the holder of the office or place in respect of which such expenses are payable, be rendered incapable of being elected, or of sitting or voting, as a member of that House."

Honourable Senator Grosart moved as a further amendment that the proposed new subclause (3) be re-worded to read as follows:

"(3) Two of the governors, who are Canadian citizens, other than the Chairman and Vice-Chairman, may be appointed from among the members of the Senate or the House of Commons; a member so appointed shall not be paid remuneration but shall be eligible for expenses and, if he is a member of the House of Commons, shall not, by reason of his being the holder of the office or place in respect of which such expenses are payable, be rendered incapable of being elected, or of sitting or voting, as a member of that House."

Following discussion the amendment proposed by Senator Grosart was adopted.

Clause 10, as amended, was adopted.

Clauses 11 to 18, inclusive, were adopted.

On Clause 19:

Honourable Senator Grosart moved that Clause 19 be deleted and the following substituted therefor:

“(19) The Centre shall be deemed,

(a) for the purposes of the *Income Tax Act*, to be an organization in Canada of the kind described in paragraph (e) of subsection (1) of section 62 of that Act, and

(b) for the purposes of the *Estate Tax Act*, to be an organization in Canada of the kind described in subparagraph (i) of paragraph (d) of subsection (1) of section 7 of that Act.”

The amendment was adopted and Clause 19, as amended, was adopted.

Clauses 20, 21 and 22, inclusive, and the title were adopted.

The Bill, as amended, was adopted and the Chairman was instructed to report accordingly to the Senate. (*For relevant Committee Report, see adjacent page of these printed Proceedings*).

The witnesses were thanked for their assistance.

At 4.45 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

REPORT OF THE COMMITTEE

TUESDAY, March 17th, 1970.

The Standing Senate Committee on Foreign Affairs to which was referred the Bill C-12, intituled: "An Act to establish the International Development Research Centre", has in obedience to the order of reference of March 5th, 1970, examined the said Bill and now reports the same with the following amendments:

1. *Pages 5 and 6:* Strike out subclause (3) of clause 10 and substitute therefor the following:

"(3) Two of the governors, who are Canadian citizens, other than the Chairman and Vice-Chairman, may be appointed from among the members of the Senate or the House of Commons; a member so appointed shall not be paid remuneration but shall be eligible for expenses and, if he is a member of the House of Commons, shall not, by reason of his being the holder of the office or place in respect of which such expenses are payable, be rendered incapable of being elected, or of sitting or voting, as a member of that House."

2. *Page 8:* Strike out clause 19 and substitute therefor the following:

"19. The Centre shall be deemed,

- (a) for the purpose of the *Income Tax Act*, to be an organization in Canada of the kind described in paragraph (e) of subsection (1) of section 62 of that Act, and
- (b) for the purposes of the *Estate Tax Act*, to be an organization in Canada of the kind described in subparagraph (i) of paragraph (d) of subsection (1) of section 7 of that Act."

Respectfully submitted.

John B. Aird,
Chairman.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, March 17, 1970

The Standing Senate Committee on Foreign Affairs, to which was referred Bill C-12, to establish the International Development Research Centre, met this day at 3 p.m. to give consideration to the bill.

Senator John B. Aird (*Chairman*) in the Chair.

The Chairman: Honourable senators, as you know, the purpose of the meeting this afternoon is to consider Bill C-12, an act to establish the International Development Research Centre, which was referred to this committee on March 5. I presume all honourable senators have a copy of the bill before them.

When considering how the committee should pursue this reference we examined the debates on this bill in the other place, and the work done by the Commons Committee on External Affairs and National Defence. That committee's full report, printed in its *Proceedings* No. 13 for February 11, was very impressive. The committee assigned the initial consideration of the bill to its subcommittee on International Development Assistance, where several expert witnesses were heard and a great deal of documentation was examined. Copies of these *Proceedings* were circulated to all members of this committee last week. While it would seem redundant for us to engage in extensive examination of this bill we did feel that one important aspect deserved further attention.

Because of its autonomous status, the governors and staff of the Research Centre will have the full responsibility for selecting and implementing research projects. I therefore think it is still important for Parliament to have a clear idea of the kind of work that will be undertaken. At this time this is of special interest to the Senate, since it concerns scientific research and consequently the broader area of Canadian science policy.

Honourable senators, we are very fortunate in obtaining, at very short notice I might mention, a witness who is uniquely qualified to talk about the proposed centre in relation to Canada's scientific capabilities. Dr. O. M.

Solandt, Chairman of the Science Council of Canada, is well known to many honourable senators. He is an eminent Canadian, who is particularly well known to several members of this committee.

I would like to express our gratitude to you, Dr. Solandt, for agreeing last week to come and discuss Bill C-12 with the committee. I know that you will be able to make an important contribution to the study of this bill by both Houses of Parliament. I believe, sir, you have a brief oral statement, and I know that several senators have questions ready.

I think that we should plan to complete our questioning of Dr. Solandt by, say, 4 to 4.15 p.m. if possible, so that we can go on immediately to clause by clause consideration of the bill.

You are very welcome, Dr. Solandt, and we will be pleased to receive your statement.

Dr. O. M. Solandt, Chairman, Science Council of Canada: Thank you very much, Senator Aird. I am very happy to have been asked to come to speak about the International Development Research Centre. As Senator Aird has very kindly explained to you, I have come at very short notice, and so have not had an opportunity to do my homework as carefully as I would have liked. However, I have had an opportunity of looking fairly carefully at the testimony given to the House of Commons committee, and on the assumption that most of you will have read that testimony I thought I would try to concentrate my remarks on areas where I thought there is need for amplification of what was said there. I want to make it quite clear, however, that in general I agree fully with what Messrs. Strong and Brecher, who were the two principal witnesses, said to the Commons committee, and the fact that I am not going to repeat what they said does not mean it was not very sound advice and to be carefully listened to. I will try to add complementary statements to what they said rather than repeat what they said.

I think I should also say by way of introduction that the Science Council, in looking at Canadian science policy, has from the very

beginning said that they felt one of the important aims of policy should be to try to ensure that the wealth and prosperity we enjoy is shared by poorer nations as far as we can, and the Science Council has said they feel that the transfer of science and technology to the developing nations is one of the ways in which Canada can be particularly helpful. Thus, when the proposal for the I.D.R.C. came forward, the Science Council warmly endorsed and supported it, and in fact Dr. Gaudry and I appeared before a Cabinet committee to support the idea even before the bill was introduced in the House of Commons. What I have to say, therefore, is based partly on these earlier discussions in the Science Council, where the general problem has been very fully discussed.

I think the first point I would like to make is a very general one, which is certainly not specifically in the field of competence of the Science Council, or of science in particular, but I think it is very important as a background to discussion of the work of the I.D.R.C. This is to say that in all our efforts to help developing nations we must not assume that they either accept or need either our goals or our value systems. Our aim must be to try to transfer to them the relevant technology that they can use in helping to achieve their aims in accordance with their value systems.

In saying this I am not wishing to oppose the efforts of missionaries, whether they are ecclesiastical, scholarly or bureaucratic, or even industrial, who seek to change the goals and value systems of nations with which they work. All I am saying is that in the case of the I.D.R.C. I think this should be very much in the background, and that the general tone of the program should be aimed at trying to help the developing countries to develop in the way they themselves wish to develop. This is, I am afraid, a very obvious statement, but one that there is a tendency to lose sight of.

It follows naturally from this that the emphasis in the work of the I.D.R.C. should be on the transfer of technology to the developing countries. This requires mainly the services of the natural scientists and engineers, and especially of systems-minded engineers and scientists. But this work will not be effective unless it is closely co-ordinated with good work in the social sciences. I put technology first because I feel there was a tendency in previous testimony to under-emphasize it. I do not want now to over-emphasize it. I

only want to make it clear that it seems to me that, while the social sciences, and particularly economics and political science, will have a great part to play in the planning of programs, when the action starts, when things are actually being done, they will be done mainly by natural scientists and engineers. So we must have an effective team of both kinds throughout the whole mechanism of the Development Research Centre.

I might take the risk here of putting in a word on political representation on the governing board. I understand this has been a matter of some discussion and there have been debates on it. I would like to put forward just for discussion, first of all, the idea that an organization like this would profit greatly from having on its board someone with substantial practical political experience. We have seen emphasized in the testimony of others and have ourselves emphasized in relation to other fields of activity the need for having people with practical experience. I share the view and I am sure that it is fairly widely held here that the scholarly political scientist does not always know the best practical solution to the problem, that he tends probably more than most scholars to be in ivory tower and that the practical politician has a lot to contribute. It might be worth considering the possibility of choosing a person of extensive practical political experience who is not at the present time a Member of Parliament. As I say, I hesitate to get involved in this because it is a very difficult issue, but I, from business experience, share the misgivings that some people have about having a Member of Parliament on a board of this kind. It is the same problem that industry encounters in having employees on the board of directors. It is one that has been dealt with and met in a variety of different ways in industry and I am sure can be effectively resolved in this case.

Senator Grosart: In this case it would be the employers on the board of directors.

Dr. Solandt: All I am saying is that I am in favour of having some practical political experience on the board.

Senator Macnaughton: It is a hopeful new trend.

Dr. Solandt: I think it is realistic trend.

The next point I want to make—here again I will make it quite strongly in order to try to counterbalance what has been said. The discussions that I have read have centred almost

entirely on the role of the universities in this field and on the relationship of the centre to the universities. I would urge that far more attention should be given to the role of industry in this field and to the relationship of the centre to industry. The need in this field is for action and when you want action you traditionally go to industry and usually industry responds remarkably effectively. Just to give an example, transportation has been mentioned several times as a field in which Canada can be helpful to developing countries. The help that is being given in this field is coming, very largely, either from the International Consulting Division of the Canadian National Railways, which for this purpose I regard as an industry, or from many private consulting firms in Canada who are really extremely good in transportation problems. The universities are excellent at giving academic attention to these problems, but when you want something done you really need to go to industry. I contend and I am pretty sure all of you here would support the view that when you have a specific task to be done, industry can usually do it more cheaply, quickly and better than either government or the universities. In this connection, I think we must try to get over the idea that it is immoral to make a profit. I agree that in a field like international development we shouldn't go into it in order to make a profit, but we also shouldn't exclude companies that do make a profit from this work merely because they made a profit. We should recall that in most cases half of this profit goes back to pay for the development work and much of the rest goes into the growth of Canadian competence. As I said, I have made this plea for the role of industry very strong. There should be a proper balance. I have made it strong because I think it was understated before. I hope you won't interpret it as an argument that we should keep the universities out, far from it.

I would like to say a word in regard to the kind of people that should be involved in this work. Here again I am going to state the position strongly because in the comments on staff that have been made there has been very great emphasis on the need for specialized experience in the field of development of underdeveloped countries. My experience in war-time operational research and experience in industry since that time indicates that for this kind of very difficult interdisciplinary work it is not always wise to look for the highly experienced specialist, because you also need to have some really first-class

experts in the particular disciplines that are involved. It may, for instance, be better to get an absolutely top-flight physicist to help in a particular problem than to use a less competent one who has spent 10 years in helping in development work. The physicist who has helped in development work will be far more useful in the general planning work, but when it comes to doing physics we should have a specialist. I think that one should visualize this organization, and here, I am speaking not just of the centre itself, but of the people who will be working for it on a contract, as consisting of a nucleus of experienced people who are expert in the problems of development and surrounded by a changing population of real experts in special disciplines who will be called upon to work in a special field. I would like to underline the idea that the centre will have to spend some of its time and its money to ensure that the centre gets a good supply of trained people from the universities. This will not just be getting people trained in the process of development, but trying to interest people in all of the relevant disciplines in the universities in having at least part of their career in the field of development. It goes without saying that we need to involve more and more young people in the work and this, of course, will be done to a large extent through contacts with the universities.

Another brief message that I want to leave with you, which has been mentioned in some of the other testimony and which I will again probably put more bluntly than it should be, is that we must avoid the danger of the science and technology that we try to transfer to developing countries, being too sophisticated. There is a very real snobbery in the scientific community which members of the Senate Committee on Science Policy have detected and this is a feeling that you are not really a first-class scientist unless you are doing some rather obscure fundamental research. Canada is at least as bad as other countries in this respect, and it would be disastrous if we transferred this attitude of snobbery to the developing countries. Unfortunately, that has been done in other countries, but not particularly in Canada. I will mention in a moment the bad results which I saw from this in India. Scientists, engineers, and the social scientists, of course, must learn to adapt the knowledge that they have to the local social and educational systems. Very often this means transferring technology that is very

much less good than the best we have, but is much better adapted to the means of the local group.

I was interested in reading some of the testimony in which someone pointed out, for instance, that a factory, I think in Tanzania, employed 1,700 people and had very sophisticated machinery, but it was not as good as the factory which employed 3,000 with less good machinery. I would argue that neither of these points are really correct. What you should do when trying to give a developing country the technology to build a factory, is to show them how to build the factory and how to fit it into their community in order to produce the best reasonably possible quality of goods at the lowest possible unit price. Where labour is cheap, this means small capital and big labour and where labour is expensive it means big capital and little labour. The most sophisticated systems and analytical techniques can be applied to the solution of a problem, with the conclusion that labour is so cheap that we cannot afford any mechanization at all.

You are all familiar with the tales that are told about the difficulties of trying to convert people directly from digging-sticks to multi-gang ploughs, and I am really just underlining that sort of story.

I had thought of putting in a few statements about lessons that I think I learned from a visit to India last fall, but I will be very brief about them since I have already spoken long enough. One important lesson is that, if, for example, you go to India, and most of you are familiar with some of the developing countries, you will find that the top Indian scientists are as good or better than any we have in Canada. It is just unthinkable that we should make any plans for helping a country like India, except in the closest possible collaboration with their scientists and political leaders. Any idea that we are vastly superior to the good people in these other countries is completely false.

In respect of India the thing that worries me most, and I think it is worth mentioning as an example of the sort of thing that you encounter, is that India is presently being industrialized more or less successfully on the western pattern. Our pattern of industrialization necessarily means urbanization. We have to find some way of changing this, but that is the way it is now. If you think of the possibility of urbanization in India it is just horrifying. They have 500,000 villages. They have a

population of something over 500 million now. If you think of 70 or 80 per cent of them migrating to the cities, it presents an appalling picture because, if they migrated to the most sophisticated North American cities it would cause disaster and if they migrate to the primitive cities in India, such as Calcutta, the situation will be really appalling.

In looking at this situation we must not consider only the gross national product. For instance, our gross national product per capita is 25 or 30 times that of India, but that does not mean we are 25 or 30 times more successful in developing a society in which people can be happy and successful. The ratio of social success is far closer to 1:1 than the material results suggest, and we must not just concentrate in getting their GNP per capita up to ours because we know that many of our own problems are caused by our affluence. Theirs may be caused by poverty, but there is a happy mean.

Finally, I should like to say that IDRC is a great concept; that given wise leadership it will attract support from the scientific community throughout Canada and the world; that it can do great things for the less developed countries; and that it can also do great things for Canada. I have no hesitation in saying that if it is even moderately successful, and I am sure it will be more than moderately successful, it will far more than pay for itself merely by the increase that it will achieve in the productivity of the CIDA programs. If you say that the IDRC is going to start with a budget which will soon come up to \$5 million, or in the not too distant future to Mr. Sharp's suggested target of 5 per cent of our aid budget, and, if you consider that we are now spending over \$300 million which will soon be up to \$500 million a year, then it is obvious that, if the work of the IDRC increases the effectiveness and productivity of that program, just the Canadian program, by, say, 1 per cent, it will pay for itself; and, if it does so by 2 or 3 per cent it will be highly profitable. And since experience in this sort of activity suggests that good, well-conceived, interdisciplinary research usually produces increases of productivity more in the order of 10, 15 or 20 per cent, we can look on this as just a prudent investment, a thing which makes common sense from the point of view of the Canadian taxpayer.

Secondly, IDRC can be the means of attracting both public and political attention to the good effects of science and technology.

We tend in North America to think of the bad effects. We relate science and technology to the military-industrial complex and to pollution and to other things of that sort. Here in the developing countries as we help them, we will see that science and technology can do good things as well. It can do a great deal for the scientific community in Canada by being a focus for lively co-operation and interchange between the social and natural sciences.

I am really very keen about this and again I know that the members of the Senate committee will see how important it could be.

Finally, and probably most importantly, it can be a cause to which youth in Canada will rally. I am sure that much of the discontent of youth lies in their disagreement with the material goals of our society. IDRC will focus attention on the development of the lives of people and should attract and inspire some of the best of our young people.

The Chairman: Thank you very much, Dr. Solandt.

I am sure all honourable senators will agree that by the very nature and content of your most succinct statement, Dr. Solandt, our judgment in having you come before this committee has been confirmed.

As I indicated, I think we should proceed to the question period. I have had an indication from Senator Grosart that he would like to ask questions, and, if any other senator wishes to ask questions, I would appreciate it if he would so indicate to Mr. Innis, the secretary of the committee, so that we can proceed in an orderly fashion. Senator Grosart.

Senator Grosart: Thank you very much, Mr. Chairman. Dr. Solandt, I am afraid I am going to put you on the spot.

Dr. Solandt: I am used to that.

Senator Macnaughton: It is not the first time.

Senator Grosart: I was going to say it is not the first time I have tried to put you on the spot, and, as you have always come out with flying colours, I expect that you will again.

The reason that I say I am going to put you on the spot is that the one thing that seems to be lacking in the evidence so far is a picture of the IDRC as an operating entity. Who will its personnel be? What will be its programs and its purposes?

First of all, I should like to comment that while I know you were merely highlighting points that perhaps had been overlooked, it did seem to me you were putting more emphasis on the transfer of Canadian technology and Canadian research than on the development in these countries of their own research.

There is a possible danger that we will follow the CIDA pattern too closely, I fear. You did use the word "tied" in this connection. You spoke of the funding of universities and of industry in Canada. Would you see most of the money being spent in Canada or outside of Canada?

Dr. Solandt: I hesitated to give a picture of the way I see the centre, partly because I am not responsible for it and do not want to prejudice the position of or make difficulties for those who have the job. Also, it was partly because there was not time. But I would certainly see the centre itself as being quite small, being concerned almost entirely with analysis and planning and particularly with the development of techniques for trying to find out how you produce desirable social and economic changes in developing countries.

You see, one of our difficulties is that we look at a country and we see that it has problems and we don't know quite where the, so to speak, influence points are. How are we to go about achieving the changes that we and they see as desirable? I see the centre as being concerned with methodology, with planning, and with getting resources to do the job.

I would hope that a substantial part of the work will be done by Canadians. I say this because we are putting up the money, and I would like to see us get many of the benefits—not the credit for it, that is not what I am concerned with.

I would like to see this develop Canada as well as our helping to develop others. I would think that a large part of the work would actually be done in the developing countries and that in the total number of people working at any one time, probably a minority would be Canadian. Because I would visualize that having decided what we wanted to do in country X, we would send out a small team of Canadians to do this, to help, and they would very quickly be joined by a lot of the local people, with the idea that what you are setting up—if it is a new transportation system,

that the transportation system, by the time you have got it set up, will be almost fully staffed by local people, and they will have learned the job as they go along. Does that explain it?

Senator Grosart: Except that I rather saw this as an international centre which happened to be in Canada and which, in its initial stages, happened to be financed out of the Canadian Treasury, but which would be international in its outlook and in its concept, would not be concerned with the direct benefit to Canadian industry or Canadian universities. The reason I say that is that we are thinking here of an expenditure of \$5 million, rising to \$25 million, taking your arithmetic. Why should any of this go specifically to Canadian industry or to Canadian universities, when we already have a fund of \$650 million or \$700 million to do this very thing. Why should we not say, this is international money, this is money that we want to use to pick the best team, wherever it is in the world, and forget about having any Canadians in it?

Dr. Solandt: As far as picking the team goes, I would certainly agree that we should look for experts wherever we can find them and should not have any feeling against hiring foreign experts. On the other hand, I would be a little unhappy should we find ourselves in the circular process that so often afflicts us in Canada. If we say that, let us say, the best expert on a particular subject is in Denmark, so we hire a Dane to do it and he trains a series of further Danes to do it, and this becomes a Danish monopoly and Canada never gets into it. I feel that we have to get a happy mean. I would completely agree with you that we should never take the view that things never have to be done in Canada or that they must be done in Canada in order that Canada may get the money value. But I would say that we should try to plan a program so that we help Canada's development, scientifically, technically, socially and intellectually.

Senator Grosart: My point is that we already have \$650 million in federal government R & D expenditures to do it, and we have CIDA with \$300 million to do it, so that makes \$1 million all together. Cannot we say that this is one time we will forget Canadian benefit and think only of the benefit to the developing countries?

Dr. Solandt: I can think of three or four American corporations who would take the \$1 billion and they would say thanks and they would guarantee to deliver the goods for you and they would do a first class job of it.

Senator Grosart: Deliver what goods?

Dr. Solandt: A development research program.

Senator Grosart: I do not care whether it is American or Canadian. What I am suggesting is that the people who should benefit from the funding and therefore from the development of their own capabilities are the scientists and the scientific institutions in the developing countries.

Dr. Solandt: This I agree with entirely. All I am saying is that the help that they get from outside their own country should, where reasonable, be Canadian. But I say "where reasonable", that we should have no objection to getting scientists from another nation to help. But if you get an expert from Denmark, I would like to see his assistant being a young Canadian who could go along and learn about this.

I do not disagree strongly, except that I would not like to see this thing completely untied from Canada, so that we would say that we were putting up the money and if in ten years time it turns out that there are no Canadians employed in this, we will be quite happy. I would be unhappy and I would say that Canadians apparently have not developed to the point of being able to take up this challenge.

The Chairman: It was not my intention that we should discuss the bill in detail but I would draw the attention of the committee to this particular point. The objects and powers of the Centre stated under clause 4 and, in part, are:

4. (1) The objects of the Centre are...

- (a) to enlist the talents of natural and social scientists and technologists of Canada and other countries,
- (b) to assist the developing regions to build up the research capabilities, the innovative skills and the institutions required to solve their problems;

This was drawn to my attention by Dr. Stuart Peters, whom I should have introduced before this time. He is seated on Dr. Solandt's right. He has been the co-ordinator of this project. That might serve to some extent at least to put on the record the specific objects and powers of the Centre.

Senator Grosart: It does not help me a bit, because anybody can do whatever he likes with these objects and powers. The fact there is certain phraseology here does not meet my objection. However, on your say so, Dr. Solandt, I will take it that we are closer together than I think.

Dr. Solandt: First of all, I agree that what matters is the motivation of the people who are running the Centre. You could, within this act, run an institution that was completely Canadian and which was operated for the benefit of Canada. That would be, I think, disastrous and I am sure that is not the intention.

At the other extreme, you could operate an agency which contributed little or nothing to the development of Canada; and to my mind that also is an unacceptable extreme. I think we have to get into the middle, where we do not seek to operate this for the commercial gain of Canada, we seek to operate it for the cultural gain, if you like so that we will develop experience of understanding how to help people.

I agree with you that most of the help should be given in the countries concerned and that the measure of the success of this institute—and I think this is probably an important point I did not make—the measure of the success should not be its reputation for scientific excellence, but the number of groups of local scientists that have been set up who are working as a result of this effort.

Senator Grosart: What kind of projects would you see on the initial program of this Centre? It is a difficult question but I said I was going to put you on the spot. I was going to ask you to draw a "picture" but, as a graduate of Senator Lamontagne's committee, I should perhaps say "a structural model". What do you see exactly the board of governors laying down as an initial program? We have no evidence whatsoever on this, whether they are going to go into rice or the transfer of existing Canadian technology. What do you suggest?

Dr. Solandt: I would think that Dr. Peters could probably give a much more realistic answer to that than I can.

The Chairman: Would it be the committee's wish that we should hear from Dr. Peters at this time or that we should hear from him when we go through the bill clause by clause?

Senator Grosart: Well, perhaps he could answer this question now.

Dr. Stuart S. Peters, Special Advisor to the President, Canadian International Development Agency: Mr. Chairman, it will of course be the prerogative of the president designate who will be the chief executive officer of the IDRC to suggest programs and they will be approved by the Board of Governors. It is anticipated that this Centre will be the honest broker in the matter of bringing together the best talent that can be obtained throughout the world and focus those talents effectively to well-defined problems that emanate from the grass-roots level, to use a term that may be somewhat overused. At the same time the Centre must bring to bear to these problems Canadian talent, if available, in the private, public and institutional sectors. Therefore certain activities that are already available in Canada should be mobilized to help. One of the areas, for example—and I am only using it as an example, because I have no authority to speak on policy with respect to the centre, is that of food technology and agriculture. This area of activity is identified as one of the greatest needs related to malnutrition problems of the world and Canada has reasonable expertise. There is another area and that is the dissemination of research information with respect to international development.

Canada could be a repository for a great deal of information with respect to research needs and research that is going on because we are politically acceptable to so many nations. We could receive this information and disseminate it. If the Centre is to be an effective research agency, obviously it must know what is going on. This is one of the biggest gaps in the world of research today—what is going on, what is anticipated by way of research and where there have been mistakes in the past. Obviously the Centre will address itself to these matters. There have been a few other areas of activity under consideration also; transportation is an activity that Canada has been engaged in and also water resources; resource activities related to land use allocation and inventories and this sort of thing. But, Mr. Chairman, it is very difficult to get too far into this subject because it will be the prerogative of the president with the support of the IDRC international Board of Governors who themselves will, it is expected, bring to this Centre precisely the pragmatism we are concerned about.

Senator Grosart: Well, I am still concerned when I hear Dr. Peters say that we are going to look around Canada and see where we have some competence in this, that or the other thing and say it will be one of the governing factors in what we get into. I would hope that when the Board begins to draw up its program, it will look around the world and see what the problems are and see how they can be solved with Canadian money. I will leave it at that.

Just one more question which again is a "modell" question. What kind of people would you see on the Board? It is intended that there will be 21, 11 of whom must be Canadians. Who are these people? I do not want you to give me their names, but what is their input to be and from what disciplines do they come? From what experience can you see their input arising? For example, the Canadians, what would you would they be? And what about the others?

Dr. Solandt: Well, first of all I would see a fair number, possibly 20 per cent, chosen primarily because they were experienced in the actual work of helping developing countries. As I mentioned before, I would hope they would not be completely dominant, because I think there is always a danger in any group of this kind tending to do the things in which they have been successful in the past. I would visualize another fairly substantial group who would represent leaders in the natural sciences and engineering and the social sciences from Canada, and I would think those two groups should be fairly well balanced. I would hope that at least one or two of them would be people who had experience at the national administrative level in Canadian science, people who would be on the NRC or the Science Council or some group of that kind, and also that some of them would be just the brightest young people in their particular field.

It seems to me that the representatives from outside Canada would probably be distributed somewhat similarly, but it would be a pity to get them entirely from among the people who were experienced in development. I would think you would want some who were leaders in their own countries. In fact, I am sure you would. And I would not leave off the idea of political experience that we were discussing, because I think so many of the problems involve political questions and I think the practical politician develops a great

sensitivity as to how to get things done without stepping on toes, or at least stepping only on those toes on which he intend to step.

Now, could I just go back and add a word to what Dr. Peters has said. I would hope that in addition to the kind of things he outlined, this Centre would put a fair amount of effort into taking a really fundamental look at what kinds of aid were really going to have the biggest impact on the countries concerned, and by impact I mean that which would help the countries to achieve what they would want to do. I am really quite apprehensive about the fact that we automatically assume that all countries want to become industrialized as fast as they can, and I think we may create problems worse than the ones we solve in some of the countries. Therefore I would like to see us look at these problems quite carefully. I think the social sciences can contribute; I think the modern systems analysts can contribute. I know that some of the originally defence-oriented groups in the States have done some very original work and I would hope that this would be included in the program.

Senator Grosart: When you say "sociologists and systems analysis", you are really taking the spectrum all the way from right to left.

Senator Pearson: Dr. Solandt, I would like to suggest a problem that I think should be tackled by this group of scientists; that is the development of the natural resources of these areas. These countries that have a great deal of starvation and hunger—we should look at them and help to develop their agriculture and transportation and communications, highways, etc. In doing this we should involve not only our own scientists and experts but those from other European areas and also the people of the areas we go into to involve them in such a way that they become experts themselves in their own field and become leaders in their own area in this sort of situation. I think that if we continue to show ourselves as masters all the time, we will have a continuation of this problem that we see right now in the West Indies. There seems to be a definite trend against the Canadians in that area at the present time, in business, etcetera, that they do not like because of this development that has taken place in connection with the Sir George Williams University. I would like to see these people come to this country and become part of this team and then go out. Is that possible? Is that your idea, that we could do this?

Dr. Solandt: Do you mean that the people from the developing countries should come to Canada?

Senator Pearson: Yes.

Dr. Solandt: Certainly, yes. I would visualize that at any given time quite a large percentage of the people in the centre would be from countries other than Canada and would come, many of them, from the developing countries. Would not you, Dr. Peters?

Dr. Peters: Absolutely.

Senator Pearson: Thank you. That is what I wanted to know.

Dr. Solandt: I think that is essential.

Senator Grosart: Solving tropical problems in Ottawa?

Dr. Solandt: No, coming here to help in the planning, and then going back with the team to solve the tropical problems in the Tropics.

Senator Cameron: Mr. Chairman, I am inclined to agree with Senator Grosart, that in the presentation so far, and certainly in the documentation I have read, they have not presented a very dynamic picture. Those of us who are familiar with the research and development, I think, can see it, but in terms of selling this broadly, they have left a good deal to be desired. Am I to take it from what you have said, Dr. Solandt, that you visualize the centre might build up and send out a number of task forces or research teams which might be international in character?

Dr. Solandt: Yes.

Senator Cameron: Because I think this is almost essential. To use an illustration, probably one of the most spectacular water-control and reclamation projects in the world was built up by the Dutch in the dyke reclamation project. That program will come to an end, probably, in 1978, according to the present forecast. There are other areas of the world where this kind of know-how and equipment could be used, and it would be your thought that the centre might take or assist in mobilizing those resources and directing them to some other area? In this case you might use the expertise the Dutch have built up to send teams to different parts of the world. Would this be the kind of project which might be developed?

Dr. Solandt: Yes, I had certainly always visualized this would be a sort of iceberg, that the bit you saw here in Ottawa would be only the little bit above the surface, that the greater part of the work the centre would be sponsoring would be done other than in Ottawa, a fair part of it in other places in Canada, but a greater part in other places in the world and mainly in the developing countries, but again not entirely. As you say, if you felt that there was a country that greatly needed assistance in dyking, you might have a team work in Holland for a while under the auspices of the centre to learn the techniques.

Senator Cameron: It is not just dyking, but the continental shelf.

Dr. Solandt: Here again, I am probably being very careless in my thinking in mixing up the program of the centre with CIDA's program, because I think that they will not get mixed up administratively but, as I see it, the centre should be a tremendous help to CIDA is deciding what problems are worth tackling and how to tackle the problems.

So I would look on the centre as being one that influences not only its own program, which might be \$25 million in 10 years, but the whole of the Canada-made program and, I would hope, the whole of the U.N. program. But if we do the job properly and on a sufficiently international basis, we will find out things about how to help people that will influence U.N. programs and international bilateral programs of all kinds.

Senator Grosart: But you would not see any "tying" of the funds in the mandate?

Dr. Solandt: No, I think it would be a great pity if they were tied.

Senator Cameron: You have referred to the need of the organization for the production and marketing of agricultural technology in the developing countries. It just happens that we have had a whole series of meetings in this committee dealing with the Caribbean. As far as I am concerned, we are just back at "square one" in terms of the application of the money we have spent and the resources we have expended under CIDA and under the whole foreign aid program, in terms of getting any rationalized program going in these countries. They are still producing sugar cane at a highly uneconomic cost. We could take citrus fruits. Nothing is being done in an organized way. Apparently, no progress has

been made in diversifying in the agricultural field. Do you think that this research centre might help to bore in and bring about a more effective utilization of money, manpower and equipment than we have seen so far?

Dr. Solandt: I think you have really defined one of the main purposes of the centre, if not the main one, and that is to find out how to achieve these things effectively. As you say, the money we have spent in the West Indies has not produced the results we had planned. The next thing is to look over what has happened, and I think this is a field where both the social scientists and the practical politicians can help and find out why we did not get the result we had aimed for, and see if we can do better the next time.

Senator Cameron: I would agree that we need to involve the social scientists in this program, but so far not enough of them have shown enough practical know-how to get very good results. Do you see any formula by which you assure the proper mix between the social scientists, the academics and the business world? I ask that because I do not think we have succeeded in getting it yet.

Dr. Solandt: I do not think there is any magic formula. I think probably one of our difficulties is that we are asking too much of the social scientists in the present stage of development, and in discussions the Science Council has held with social scientists they have themselves frequently said that people expect them to know all about human behaviour, but they just have not had the centuries of study needed to get the information. So I think that when we talk of the role of social scientists in these studies we should be sincere about getting them in, but we should not expect too much of them and expect them to know all the answers. We have some of these difficulties in Canada. It seems to me I have heard something recently about agricultural problems here, and yet we have such a very rational and population.

The Chairman: This very point was brought up this morning in our other hearing.

Senator Cameron: You refer to the importance of transportation expertise, and so on. I say, with respect, that since you left the C.N.R. we have not even been able to move the mail in Canada. Dr. Peters put a good deal of emphasis on the need to know what is going on in different parts of the world, so you could bring together a sort of, what I

have referred to on many occasions as, an inventory of projects. Has any special thought been given to how this inventory of projects going forward can be brought together that would relate specifically to developing countries and the communicative machinery that can be used or needs to be used to make this information effective?

Dr. Peters: Well, sir, we have had quite a few discussions with the U.N. family groups as well as the O.E.C.D. Specifically, we have the Economic social Council investigations and their world plan of action proposal and the vast storehouse of information that they have amassed regarding the application of science and technology for development. We have the World Bank, and we have the U.N. development program investment studies, and we have the work that the O.E.C.D. development centre does. All of these agencies have pledged their support, and are prepared to display the information they have in assisting this centre in identifying key areas of research activity. It will be up to the centre to meet this challenge with an effective administrative linkage.

I am not certain of how this will be accomplished, but the challenge is before the centre and to the administration of the centre. It has been offered to us, and it will be up to us to take advantage of it. I think it is important not to look for new ideas when so many people have done work that has effectively displayed some of the crying needs for research of the less developed regions of the world. Let us have this new centre take advantage of what has already been done by way of identifying research needs before we start generating new ideas.

Senator Cameron: That is fine. I agree completely. We sat as a committee on science policy for quite a few months, and we found that certain very respectable Government agencies and so on had built up some expertise in some field, and that other departments had done the same thing in the same field but those departments were not talking to each other. There was no exchange of information whatsoever. It may be that the same thing will happen at the international level unless certain definite machinery is set up so as to ensure the full mobilization of all the knowledge that is acquired.

Dr. Peters: All I can say is that we have been forewarned about this. It has been on our minds from the beginning. If we do not heed this advice that has come from many sources then I do not know what will happen

Senator Cameron: We will have you back here again.

Dr. Peters: Yes, that is right, and I am sure you will be fully justified in so doing.

Senator Carter: Mr. Chairman, what I was interested in has been pretty well covered, but there are one or two other points about which I should like to ask.

After the board of governors sets up shop it has to develop its program, and in order to do that it has to exercise judgment and come to decisions. What mechanism do you see for enabling the developing countries—the countries that we are going to help—to make some input into this decision-making? Will it be through the U.N., or will it be done directly? The board of governors in their wisdom can very well say: “We will do project A for Nigeria”, when Nigeria might not have a priority for that particular project. How do you avoid that sort of thing?

Dr. Solandt: I can give you my imaginary picture of what will be done, but Dr. Peters probably knows more about it.

Dr. Peters: Actually, we are still in the learning process, and I have kept antennae tuned for all sorts of ideas, because no one has the answer to all of these problems. However, Senator Carter, information needs, as people identify them, should come from any source—from the U.N., from individuals, from missions, from the CIDA staff, and from the I.D.R.C. staff. Regardless of from where they come, the centre has to be a repository for those ideas and through good administration it must effectively handle them, investigate them, catalogue them, and pull these ideas and suggestions together.

If you are thinking of a problem then, of course, you have also a target area of the world in mind. The people in that area should, of course, be part of the problem-defining role. If they do not recognize something as a problem then it is not a problem from our point of view. It has got to be meaningful within their context, within their social goals, and in respect of other matters that have been brought up and which we have talked about.

Senator Grosart: But if it is going to be an international research centre then that is not true. You have got to go out and discover what the problems are. If it is an international research centre that is its function. It is not just an information centre.

Dr. Peters: Yes, but by dialogue with these people. Do you not agree, sir?

Senator Grosart: Yes, but Senator Carter was asking for the mechanism for the input. He was not asking for the dream, or the hope, but for the mechanism.

Dr. Peters: It is through their institutions and their governments.

Senator Grosart: But what about the centre? This is the problem with CIDA, which works on a response basis—and it does not work very well. Which it is going to be? Is it going to be by way of response? Are you going to set up a mechanism whereby developing nations will be able to say: “We have a problem. We want it investigated”. and you will be able to tell them how to go about it? If you leave it to this blanket response type of thing then obviously you are not going to succeed.

Dr. Peters: But CIDA is a program-responsive agency. This may sound platitudinous, but this centre has a problem orientation.

Senator Grosart: Aren't you playing with words. When you say CIDA is program-responsive but IRDC is problem-responsive. You are not answering the question. What is the mechanism? That is what Senator Carter wants to know.

Dr. Peters: There must be effective mechanism devised. I do not believe we have got it yet, otherwise we would not be looking for a research centre of this type. It has got to look at new ways of not only preventing problems but of effectively alleviating the problems that exist through research—and we define “research” in the broadest of terms—by bringing in a truly multi-disciplinary thrust which is adequately funded, and with a credibility that will bring in the various disciplines that will effectively work together.

A display of this methodology will be presented by the president for certain programs to be approved by the Board of Governors. It will be up to them to say: “Yes, we are in food technology, so let us get on with it.” Then it will be up to the president and whatever research structure he has assembled to bring people together in solving it.

Dr. Solandt: I was just going to add a word in support of the misgivings of the senator. In my experience in operational research during the war, where the situation was not too dis-

similar in that we were trying to help to apply science and technology to problems that were not obviously scientific in their content and which were happening in some remote place, we found more often than not that the local people had a complete misunderstanding of the nature of their problem.

Senator Macnaughton: That is exactly the point.

Dr. Solandt: They knew they had trouble—that is for sure—and they made a diagnosis of it, and asked for help in a particular line. After looking into it more carefully, and after having made several mistakes, we found that their diagnosis of the difficulty was quite wrong, and what they needed was something quite different from what they had asked for.

I am sure that this happens in international circles, so I would visualize the centre before long developing experts who would go to the scene of the problem and discuss it with the local people in the light of their own special knowledge, and they would probably come up with a quite different recipe as to how to help.

Senator Grosart: Or, at least, a researched answer.

Dr. Solandt: Yes.

Senator Carter: Assuming that we start on a project in a developing country—there are all sorts of powers to establish, maintain, initiate, carry out, support, and so on—but eventually you are going to call a crunch when they have got to say: "Well, we have got to cut this out." It is not working out. I do not see anything in this bill which provides any mechanism for that sort of decision. In what way do you envisage this would happen?

Dr. Solandt: If it does not sound too cynical, I hope that some of the developing countries can show us how to do this, because it is something we badly need in Canada.

Senator Pearson: It seems that you are here to learn from the senators.

Dr. Solandt: Seriously, this is a problem of administration in science generally. Industry is the only area in which this is dealt with reasonably effectively. There you just have the almighty dollar governing it. Management considers a project and says either it has no chance of success and/or even if it succeeds it is not going to be worth the ex-

penditure so we will cut it off. However, we do not do this in government or universities, and I suspect we will not do it in foreign aid.

Senator Cameron: Hopefully we are going to start.

Dr. Solandt: Yes, we have to start in all these fields.

Senator Grosart: You are helping us to write the report of the Special Senate Committee on Science Policy.

Senator Carter: It seems to be self-perpetuating and there is no method of assessing it periodically.

Dr. Solandt: This is one of the real arguments for using industry as much as we can as the effective agent, because you can call in industry and say "Look, the contract ends next Tuesday," and that is the end of it. However, if you call on a government or university department and say that, you do not get anywhere. We should meet this by making sure that virtually every action that the centre takes has a specific term tied to it. We will try this for two, three or five years if necessary, but at the end of that time the project stops unless it is renewed as a result of careful consideration. I strongly urge that this should be done.

Senator Carter: I am going to make a suggestion for the first project and ask Dr. Solandt and Dr. Peters to comment on it. My suggestion is that we should carry out some research on how developing countries develop, because there must be certain economic laws involved. Personally, I do not think that there has been enough research done on it. Every developing country wants to take a shortcut to riches by industrializing, as you said yourself, as fast as they can. They proceed in that direction for four, five or even ten years then suddenly find out that they have not got the basis to support the industry. This is vital and one of the areas that needs investigation. If there are laws that govern development in developing countries we should know them so that we can order our programs in accordance with them.

Dr. Solandt: There has been much done in Britain in this field. There are many well-established hypotheses as to how development occurs. I agree that this centre should be expert in this field and contribute substantially to it. Every bit of work that is done should

be regarded as an experiment and we should not only try to forecast what is going to happen, but follow up and see if what was planned happened. If it did not, why did it not? This work will contribute to the evolution of a better theory of development.

Senator Carier: I do not think you need to wait to initiate the program, because history is full of examples where countries have tried to take this shortcut and found that it just cannot be done.

The Chairman: We nearly met our deadline, honourable senators; it is 4.20 p.m. Are there any other questions?

Senator Cameron: I would like Dr. Solandt to emphasize one point. He mentioned that when a project is assigned to private industry a deadline is enforced. He implied, and this is what I wish to correct, that this cannot be done with a government department or a university. My judgment is that it must be applied to them also. This is one aspect that is wrong. Do you see any reason why the same kind of terminal arrangement cannot be made for projects being carried out in a government department or a university?

Dr. Solandt: As far as termination goes, no, I see no reason at all why it cannot be completely general.

The Chairman: I do not want to impose on your time too much, doctor. We would like to go through the bill clause by clause. I understand that we will probably have several amendments. In that regard we have Mr. Hopkins, Law Clerk and Parliamentary Counsel, and Mr. Ryan of the Department of Justice here. I will leave it entirely up to you, sir, whether you wish to stay.

Dr. Solandt: I could easily stay until about half past five. I have to catch a plane.

The Chairman: Thank you very much. We will call the bill.

Clause 1?

Hon. Senators: Carried.

(Clauses 2 to 9 inclusive carried without comment.)

The Chairman: Clause 10. I would like to make a comment regarding clause 10, subclause (3). During the past several days discussions have been held with the various officers of CIDA and with the Law Officer of the Senate, Mr. Hopkins. I draw your atten-

tion to the terminology in subclause (3) of clause 10, which is permissive inasmuch as it reads:

(3) One of the governors, who is a Canadian citizen, other than the Chairman and Vice-Chairman, may be a member of Parliament; he shall not be paid remuneration but shall be eligible for expenses and shall not, by reason of his being the holder of the office or place in respect of which such expenses are payable, be rendered incapable of being elected, or of sitting or voting, as a member of the House of Commons.

My advice is that under ordinary circumstances it is clear that a member of Parliament clearly includes both senators and members of the House of Commons. However, due to the condition subsequent, which commences with the words "he shall not" in this particular subclause (3), the conclusion reached is that this subclause (3) applies only to members of the House of Commons. I was interested in Dr. Solandt's remarks about practical and pragmatic politicians. I understand that an amendment has been prepared, Senator Macnaughton?

Senator Macnaughton: Yes, Mr. Chairman. I move that we strike out subclause (3) of clause 10 and substitute therefor the following:

(3) One of the governors, who is a Canadian citizen, other than the Chairman and Vice-Chairman, may be a member of the Senate or a member of the House of Commons; he shall not be paid remuneration but shall be eligible for expenses and, if he is a member of the House of Commons, shall not, by reason of his being the holder of the office or place in respect of which such expenses are payable, be rendered incapable of being elected, or of sitting or voting, as a member of that House.

The Chairman: Can I have a seconder to that amendment?

Senator Haig: I second.

The Chairman: Is there any discussion?

Senator Grosart: Yes, Mr. Chairman. If my interpretation is correct, the effect is that it deals with only one of the governors, which would mean either a member of the other place or a member of the Senate.

The Chairman: That is correct.

Senator Grosart: I suggest that is not the best way of approaching it. I think the amendment should provide for membership from both houses at the same time. This is the normal practice in representation of the Parliament of Canada on delegation and boards, where there are boards, although there are not many, that there is usually a representative of both houses. Why limit it to one?

Senator Carter: I should like to ask a question of one of the witnesses. I can see the desirability of this type of representation on the board of a Crown corporation doing Government business, but if we insert this clause for this type of institution I am wondering if we are not complicating matters, because other countries may want political representatives as well, and eventually we would get into an ideological hassle.

The Chairman: Are you asking a question of the chair?

Senator Carter: I would like to get the opinion of the witnesses on that. Is this a desirable feature?

Dr. Peters: I am really on the spot, because I have been opposed personally. I therefore must speak on it personally, and representing the people I have had confidence in as part of my task force and so during my role as co-ordinator of this proposal. The principal argument would be to structure the centre as an autonomous organization as we can structure under our laws, and as truly international as possible under our national laws. It does appear to those people who are concerned yet not fully familiar with our parliamentary system that we did structure this, but now with this amendment we are putting a watchdog in the middle of it.

The question arises as to what is the role of this person with respect to the centres operation besides the minister responsible who is appointed by the Privy Council to report to the public of Canada on the disbursement of funds and the programming of this centre. Mr. Sharp clearly pointed out some of these questions in his speech on third reading on February 20, and I do not think I need cover those points again. However, we are still concerned about this matter.

At the same time, it can be rationalized that the Canadian public, the people who are financially supporting this centre will through

this amendment be buying a seat, so to speak, on the board of governors, but from the outside looking in generally, are not in favour of it.

Senator Macnaughton: What about our chief witness? He was in favour of it. Why?

Dr. Solandt: I am sorry, but I was misinterpreted. I was in favour of having a person with practical political experience, but I suggested, I guess too delicately, that he had probably better not be a member of Parliament at the present time.

Perhaps I might just comment a little further on what has been said. We in Canada consider that in setting up this I.D.R.C. we are setting up an agency that is remarkably independent of government control, but I am quite sure that if this sort of thing were established in the United States they would have set it up much more independently. I have had the good fortune to be a trustee of the Mitre Corporation in Boston, for instance, which is one of the several not-for-profit research agencies that are supported almost entirely by the United States Government. Rand is another well known systems-developing corporation. Another which I know well is the Riverside Research Institute which has about 85 per cent federal government support and 15 per cent state and local government support and yet these institutions have no ties to government, such as the Auditor General or reporting to a minister or anything else. I think we should be quite careful that this agency remain as independent as possible.

Reading the testimony on this I share the misgivings of some of the members about the C.Y.C. and other experiments in autonomy that we have made, but I think we have to be careful that this does remain as autonomous as possible.

Senator Macnaughton: Under our system, which is not the American one, I do not see anything unusual in having either a senator or a member of the House of Commons as a member of an organization like this. After all, we are not second-class citizens either and we have a very direct interest. The mere fact that we are in the Senate or the House of Commons implies that for many years we have taken a more than average interest in the affairs of our country. Who is better qualified to look after the people's interest than either the elected or even the appointed representatives?

Senator Grosart: Why should it affect the autonomy of the body any more than the appointment of somebody from the university sector or the industry sector? If you have only one or two they are not in any control positions. They have not even a mandate to report. The purposes is but just merely to call on some political expertise to add to the academic, scientific and other expertise. Why not?

Dr. Solandt: Sir, as you said, this is the representative of the employer.

Senator Grosart: That is right.

Dr. Solandt: Parliament is putting up the money and the agency is reporting through the ministry to the Parliament.

Senator Macnaughton: Who is the employer? Parliament or the Public Service?

Dr. Solandt: It should not be either, in my opinion.

Senator Cameron: Mr. Chairman, I think there is one element of dissatisfaction in Canada today, to the effect and this is putting it in an exaggerated form, that it is being run by regulations and run by civil servants and not by people's elected representatives. That is one reason this is in here and also one reason why I am in favour of something like this staying there.

Dr. Solandt: I am sorry, Mr. Chairman, I shouldn't get into this.

The Chairman: Maybe I should have let you go.

Senator Macnaughton: It is your natural wisdom that we are trying to extract.

Senator Grosart: You are going to wind up recommending only defeated candidates.

Dr. Solandt: I sympathize entirely with the news you people have expressed and with an institution that is this close to Government and I think there is a good case which has been made. All I am saying is that I would be happier if this were so detached from Government that this problem wouldn't have arisen. You see, you don't have any discussion of, say, having a U.S. congressman or senator on the board of the Battele Foundation to keep an eye on it, yet it gets something like 70 per cent of its money from the government. As I say, Rand gets 90 per cent, and so on. But these are substantially more independent and I would have been happier

had this been a more independent organization. Nevertheless, this is not in keeping with our Canadian tradition and I am sure that with our tradition we can run this centre very successfully as it is structured. But it certainly must be so operated that it does not appear to be an arm of the government.

Senator Grosart: May I make this comment, Mr. Chairman? From the look some of us have had of the American system in this very field of science and technology, their political checks are much greater than ours through the appropriation and investigatory powers of their various committees. I don't think there is any comparison between the Battele Memorial Institute and this organization in that sense. The United States Congress has complete and absolute control.

Dr. Solandt: That is right.

Senator Grosart: In a way that our Parliament does not have.

Dr. Solandt: And they treat these not-for-profit organizations at arm's length. If you are not delivering the goods, they say, "We will cut you off at the roots tomorrow."

Senator Grosart: And if you are, "We will give you more money."

Dr. Solandt: This is a very satisfactory relationship.

Senator Grosart: Mr. Chairman, the other reason I very much favour this is that again some of us seem to have found that one of the deficiencies in our relationship between science and technology and parliamentary is the fact that we have no parliamentary interest and no parliamentary involvement in science at the moment other than one committee. Surely this is an excellent way to begin to get some parliamentary involvement in this whole field.

The Chairman: Well, in any event, honourable senators, I would point out that the clause is permissive. It reads "may be a member".

Senator Grosart: Yes.

The Chairman: I have before this committee a motion for amendment. What is your pleasure? Are there further comments on the amendment?

Senator Grosart: I move an amendment to the amendment, Mr. Chairman, that the effect

be that two of the Governors be eligible for membership on the Board; so that the amendment would read:

Two of the Governors, who are Canadian citizens, other than the Chairman and Vice-Chairman, may be members of the Senate or members of the House of Commons; they shall not be paid remuneration but shall be eligible for expenses and, if they are members of either the Senate or House of Commons, they shall not, by reason of being holders of offices or places in respect of which such expenses are payable, be rendered incapable of retaining their positions in the Senate and House of Commons.

That may need tidying up, Mr. Chairman.

Senator Carter: You are doubling the parliamentary influence.

Senator Grosart: As the Chairman pointed out, it is permissive. It is up to the Board.

The Chairman: Excuse me, Senator Grosart, but is it clear that your subamendment means that it is to be one member from the House of Commons and one member from the Senate?

Senator Grosart: No. My amendment does not say that. It merely says that there shall be two members. Again, this is permissive. The Governor in Council, under this amendment, does not have to appoint any member of Parliament. Under this amendment it may appoint two. It then has the option of appointing a member of each house.

Senator Pearson: But could it appoint two senators, for example?

The Chairman: That is the question I was asking Senator Grosart. That is not your intention, Senator Grosart?

Senator Grosart: No, it is not my intention, but again it is up to the Governor in Council. It is permissive so we leave two places for members of Parliament; this includes both houses.

The Chairman: I presume all honourable senators have read the evidence. This was discussed at length in the other place and in their committee. The question therefore arises whether we should vote on this sub-amendment. All those in favour?

Senator Grosart: Perhaps I may ask first of all if the mover of the amendment would accept the sub-amendment?

Senator Macnaughton: I have no choice. You are entitled to move the sub-amendment.

Senator Grosart: I am asking, as a matter of information.

The Chairman: I am afraid not.

Senator Grosart: It is quite proper for the mover of a sub-amendment to ask the mover of the amendment if he will accept it. He can say no. He can say anything he likes.

Senator Macnaughton: I do not want to say no but I shall leave it as it is. Vote on the sub-amendment, and then it is even stronger.

Senator Grosart: I was trying to get your help.

The Chairman: We will vote on the sub-amendment as outlined by Senator Grosart. All those in favour?

Vote counted—11 for.

The Chairman: All those against?

Vote counted—0.

The Chairman: Mr. Hopkins advises me, Senator Grosart, that it will require a slight rephrasing.

Senator Grosart: Yes.

The Chairman: I therefore declare the sub-amendment carried.

Shall clause 10, as amended, carry?

Hon. Senators: Carried.

Senator Cameron: I have someone waiting for me across the hall. If there are any more interesting amendments, please call me.

(Clause 14, to 11 inclusive carried without comment)

The Chairman: Shall clause 15 carry?

Senator Grosart: May I put a question to Dr. Solandt. Do you agree that it is advisable that it shall be mandatory that the head office shall be in Canada?

Dr. Solandt: Yes.

Senator Grosart: You agree?

Dr. Solandt: Yes.

The Chairman: Clause 15 carried. Shall clause 16 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 17 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 18 carry?

Hon. Senators: Carried.

The Chairman: On clause 19, Senator Grosart has an amendment.

Senator Grosart: I move the following amendment:

2. Page 8: Strike out clause 19 and substitute therefor the following:

"19. The Centre shall be deemed, (a) for the purposes of the *Income Tax Act*, to be an organization in Canada of the kind described in paragraph (e) of subsection (1) of section 62 of that Act, and

(b) for the purposes of the *Estate Tax Act*, to be an organization in Canada of the kind described in subparagraph (i) of paragraph (d) of subsection (1) of section 7 of that Act."

The purpose of the amendment is to remove the word "charitable" from the clause as it stands. This is perhaps merely semantic, but it is to take away any suggestion from anybody in a developing country or elsewhere reading the act and saying "The Canadians think they are giving us charity".

The amendment does not change the legal effect of the clause as it stands. It merely evades the use of the word "charitable".

The Chairman: I would like to confirm Senator Grosart's last statement. Mr. James Ryan, Chief of the Executive Branch, Department of Justice, is here. And Mr. Hopkins has advised me that this in no way takes away from the full intent that this shall be a deductible expense. I support from the Chair the removal of this word "charitable".

Senator Robichaud: What about the side note?

The Chairman: I think it should be altered also.

Mr. Hopkins: Yes. It will be changed to make reference to the *Income Tax Act*.

Senator Pearson: Was not the word "charitable" in there meant to suggest that other countries could advance money to this Centre?

Senator Grosart: That is covered elsewhere in the Act.

The Chairman: Possibly that is correct, but I believe it is covered elsewhere in the act and certainly it would be my opinion that at this particular juncture in time it is an unwise inclusion to have the word "charitable" used.

All those in favour of the amendment?

Hon. Senators: Agreed.

The Chairman: Those in favour of the clause as amended?

Hon. Senators: Carried.

The Chairman: Shall clause 20 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 21 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 22 carry?

Hon. Senators: Carried.

The Chairman: Shall the title carry?

Hon. Senators: Carried.

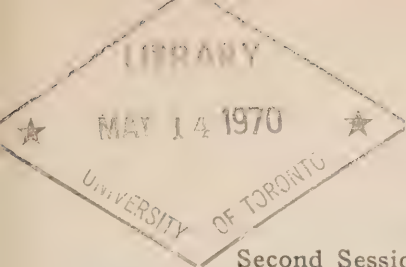
The Chairman: Shall the bill as amended carry?

Hon. Senators: Carried.

The Chairman: Shall I report the bill accordingly?

Hon. Senators: Agreed.

Whereupon the committee adjourned.



Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable ALLISTER GROSART, *Deputy Chairman*

No. 11

TUESDAY, APRIL 21, 1970

Respecting
THE CARIBBEAN AREA

WITNESS:

Dr. George E. Eaton, Professor of Economics and Director of Professional
Studies, Atkinson College, York University, Toronto, Ontario

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, Wednesday, February 18th, 1970.

With leave of the Senate,
The Honourable Senator McDonald moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Senate Committee on Foreign Affairs have power to sit during adjournments of the Senate.

The question being put on the motion, it was—
Resolved in the affirmative.

MINUTES OF PROCEEDINGS

TUESDAY, April 21, 1970.

(12)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 11.05 a.m. this day.

Present: The Honourable Senators Belisle, Carter, Connolly (*Ottawa West*), Eudes, Fergusson, Grosart, McLean, Quart, Robichaud and Yuzyk. (10)

Present but not of the Committee: The Honourable Senator McDonald (*Moosomin*).

In attendance: Mr. Bernard Wood, Research Assistant to the Committee.

The Committee continued its study of the Caribbean Area.

The Deputy Chairman (Senator Grosart) introduced the witness:

Dr. George E. Eaton,

Professor of Economics and director of the Division of Professional Studies in Atkinson College,

York University,

Toronto, Ontario.

The witness was thanked for his contribution to the Committee's enquiry.

At 1.00 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,

Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, April 21, 1970

The Standing Senate Committee on Foreign Affairs met this day at 11 a.m.

Senator Allister Grosart (*Vice-Chairman*) in the Chair.

The Vice-Chairman: Honourable senators, it is now past 11 o'clock and I see a quorum. I regret to say that Senator Aird, Chairman of the Committee, is not able to be with us today due to the sudden illness of his father, and he has asked me as Vice-Chairman of the Committee to take the chair at this meeting.

It is a great pleasure for me to introduce to you at this time the speaker who is to address us this morning. We have been very fortunate in being able to persuade him to come before us, although I must say he did not take too much persuasion.

Dr. George Eaton was born in Jamaica and received his university education first of all in Canada, taking his degrees up to Ph.D. at McGill University and doing post-graduate work at the Sorbonne. He has taught at the University of the West Indies and has served on commissions of inquiry in Antigua dealing with the hotel industry, a matter which we have discussed at some length in our proceedings, and also on a commission of inquiry in Guyana dealing with sugar. His advice has been sought by governments in other parts of the world, for example the Government of Ethiopia and the Government of the Somali Republic. He is at the present time Professor of Economics and Director of the Division of Professional Studies at York University in Toronto.

I believe what we are to hear from him is something in the nature of a review of some of the evidence we have already had. Dr. Eaton has followed our meetings and so he may favour us with some comments.

Last week he was in Jamaica while the Commonwealth Caribbean Premiers were having their conference, and I hope he will be able to give us some interesting comments on that conference at which the Premiers of the

Commonwealth Caribbean countries met to discuss their own future and some of their problems.

It is a pleasure to hear from you Dr. Eaton, and again I want to thank you for coming.

Dr. George Eaton, Professor of Economics and Director of the Division of Professional Studies in Atkinson College, York University: Thank you very much, Mr. Chairman.

I suppose, like all the other witnesses who have appeared before your committee, I should express my appreciation for your very kind invitation to appear before you. I very much regret that I have not been able to document my observations, but my schedule just now has been rather hectic, and so I have not had the time to do so. So, Mr. Chairman, if it is agreeable to you, I would like to indicate what I thought I might do. First of all, I thought I would review some of the evidence which has been presented to you, making some short remarks about the approaches which seem to have been suggested as far as Canadian involvement in the Caribbean goes, and then perhaps to refer to a number of specific issues including economic viability and the relationship of the sugar industry to the Caribbean economy, the issue of tourism, foreign ownership of resources—which in my view is going to become an issue of some concern in the Caribbean area—and then perhaps say a little about Canada's image in that area, and how Canada is viewed at the present time. I would propose to say a little on each topic and then leave myself free to answer any questions that may be asked, if that is acceptable to you, Mr. Chairman.

The Vice-Chairman: Would you like to receive questions after each theme or at the conclusion?

Dr. Eaton: After each theme might be more appropriate, I think.

The Vice-Chairman: Very well, you can indicate when you have come to the end of your remarks. Then I shall be calling on Senator Robichaud and Senator Belisle first.

Dr. Eaton: The first thing that struck me in looking over the evidence given was that basically there were three implied approaches. One, first of all suggested that in view of Britain's declining influence and involvement in the Caribbean area, a vacuum of some sort exists and that Canada might rush in to fill this vacuum. The United Kingdom until recently had major responsibilities for all the Caribbean territories as colonies, and now that she has given independence to quite a number of them, the suggestion seems to be that Britain can no longer bear the burdens of a former empire, and that in fact she may be looking to more profitable markets in Latin America. The United States we are told has no specific Caribbean policy although it has an overall military and strategic concern in the Caribbean, and here again it was suggested that the United States would welcome Canada's growing involvement to bear some of the burdens, so to speak. My own view is that this concept of a vacuum is a very invidious one.

There are number of concepts which I think have plagued mankind, and possibly the worst of these has been the concept of sovereignty. We have seen more aggression and abuse of human dignity in the name of sovereignty. Following closely on this is the idea of a vacuum which implies emptiness and that somehow or other once a colonial power withdraws, somebody has to dash in, because the people are incapable of mobilizing their own resources or of standing alone, and it seems to me that this is a very negative approach for Canada to adopt to become involved in the Caribbean because it seems to rule out the concept of reciprocal advantages.

Let us look at the United Kingdom. She has guaranteed a sugar market to the Caribbean producers through the Commonwealth Sugar Agreement. This seems to be very responsible and very generous on the part of the United Kingdom, and nobody denies it. On the other hand, nobody seems to look beyond this to the fact that the Caribbean buys nearly all its motor vehicles from the United Kingdom. There is a tremendous influx of manufactured goods from the United Kingdom. I would be very interested to see, if it were possible, a balance sheet of the real benefits and advantages both to the advanced countries and to the developing countries. So, to me there is always some reciprocal advantage.

In the evidence we heard already before this committee it was pointed out, for

instance, that even at the present time there are Canadian firms negotiating in the Barbados to construct a hotel, and this would involve expenditure of \$10 millions. The Honourable Lester Pearson when he appeared before this committee, pointed out that in over two decades, of the total assistance flows, 38 per cent of it at least had gone back to the donor countries in form of debt charges. The point I am trying to make here is that this concept of a vacuum is not a very positive one. It assumes an inability on the part of the people to help themselves. It assumes that a colonial relationship must be perpetuated under some guise or another, and I would hope that the Canadian Government would not see itself rushing in as fools where angels fear to tread to become part of this vacuum approach.

The other suggestion, Mr. Chairman, that one heard is that Canada should view the Caribbean as a preferred area because of historic ties. Here again I think members of this committee suggested that it might make sense for Canada to have concentrated its resources to exploit success, so to speak, and to show what can be done where there are administrative capabilities and some basic resources. There is, in my view, much to be said for this approach, not only as far as the Caribbean is concerned, but for other areas as well.

One of the things which the developing countries have become very concerned about is this idea of what is an appropriate standard of living for the poor countries. It seems to be implied that once a country has achieved \$500 per head one can stop giving aid, because it is in the take-off stage, and you go to the other poorer areas. The leaders of the developing countries rightly ask why \$500 per head is an appropriate living standard for the people in the backward countries, especially in the tropical countries. Why is it that no one ever suggests, for instance, diminishing aid to New Zealand with income per head of well over \$1,700? Why is it that such tremendous aid is given to Israel, for instance, with income per head of well over \$1,000. I recall hearing once a talk given by Dr. Williams, the Prime Minister of Trinidad, in which he made this point very strongly, that, in fact, the developing countries really resist any attempt on the part of the richer countries to define an appropriate standard of living as being \$500 per head. I myself am convinced—and this is a personal view—that too much emphasis has been placed on the theory of balanced growth. I do not believe in

everybody progressing uniformly to minimum standards of living or, in other words, keeping every one uniformly poor. I do not believe it applies even in Canada, but that may be another issue.

The fact of the matter is that there is something called a development pull and, in fact, economic development takes place more often than not in the poorer areas by allowing those sectors and those economies which can grow to press ahead. In fact, I think we have come to the conclusion, even here in Canada, that it would be a major mistake to infer, for instance, that to let Quebec City develop you must hold back Montreal. There also seems to be strong evidence that when Montreal is growing Quebec City grows twice as fast, and that when Montreal slows down Quebec City decelerates twice as fast. This has very serious implications for regional disparity in Canada. We can always pull down developing regions, and we certainly cannot build up the poorer regions that rapidly.

So it would be a mistake, in my view, in Canada—and this would apply to the Caribbean also—to say: Slow down the rate of growth in Ontario or Quebec because you want to build up the Maritimes. To me that is a fallacy, but there are differences of opinion here. So I think there is some merit to the idea of Canada concentrating its efforts on areas where the administrative capabilities exist and where it could be shown what could be done if sustaining assistance could be provided.

Finally, Mr. Chairman, the other position which was put forward is that Canada should view the whole Caribbean region as one, including Latin America; and that, in fact, Canada should convert all its energies into supporting regional institutions rather than concentrating on individual units.

In a number of cases witnesses made the point, for instance, that Canada should not support, say, the sugar industry, because it should be phased out—and I will come back to this at some length—but rather that we should be attempting to speculate about new political associations and new regional institutions.

The only observation I would make at this point is that since the 17th century—certainly, since the 18th century—there have been attempts at federations in the West Indies, and every one of them failed because in each case they were promoted by outside powers—

notably, the United Kingdom and, in some cases, Canada—on the basis of administrative convenience. I would suggest to you that this would be a false basis on which to proceed in this case.

The fact of the matter is that the Caribbean Commonwealth communities, for instance, are not homogeneous. There are certain common cultural and racial factors, but there are also differences in culture, differences in physical location and differences in orientation. To my mind, the prospect for the survival of CARIFTA, to refer to the most recent development in the area, is much stronger because it is a development which has come out of the initiative of Caribbean governments themselves; and to try to push economic integration or political integration would be a grave error.

The facts of life are quite different. Jamaica, for instance, opted out of the federation. The present government in power in Jamaica came to office on a distinct anti-federation platform, and it would be unrealistic therefore to expect that the Jamaican government would be in the vanguard of any new regional or political integration movement. But I think there are certain logical events which will force integration. I think if Britain, for instance, goes into the European community, then you have an external threat, which is one of the prerequisite conditions for a federal structure. Up to this point no threat to the security of the Caribbean has existed, and I think that in a sense Britain's acceptance into the European community might force this pace.

So, my view is that to lump the Latin American countries and the Commonwealth Caribbean would be to put two quite different things together. The fact of life is that the Caribbean Commonwealth peoples are largely detribalized peoples. Part of the problem is that they have been made more English than the English; they have had all these years of continuing influence to become pseudo-Englishmen. To them the people who speak Spanish are foreigners; they are the Latins, a highly political and unstable people given to dictatorships. At the same time, however, the movement towards integration in a wide range of areas, including Europe, has awakened the Caribbean Commonwealth peoples to the existence of the Latin American peoples, and I think there is the beginning of exploratory contacts.

The most promising, for instance, is the new development between the Economic Commission for Latin America and CARIFTA, where there are going to be joint research activities, a pooling of resources. This is, again, a movement initiated by the people themselves, without any foreign power exerting any pressures.

I think, therefore, that, given the historical development of the region, it would be a mistake for the Canadian Government and the Canadian people to exert pressure from the point of view of administrative convenience to hasten integration. I say, let the West Indian peoples and the Latin American peoples grope towards a solution, however imperfect, which will be more enduring.

We have seen what has happened in Nigeria, when Britain linked people together who were traditional enemies, purely from the point of view of administrative convenience. When the external power moved away they proceeded to destroy each other. This has been repeated throughout Africa and Asia, and I think we should learn a lesson from this.

To conclude this section, Mr. Chairman, my own view is that the development of CARIFTA, which is a very promising development, reflects the growing awareness of the instinct for survival on the part of the Caribbean communities. The same is true in the Latin American context, and we have to be careful. I am always puzzled why the developed countries would seek to impose solutions on developing peoples that they themselves reject.

You all know that again and again it has been said, I do not know whether facetiously, that all we have to do to solve regional disparities in Canada is relocate all the Maritimers. For obvious reasons the Maritimers have declined this solution, although I think the remainder of Canada might benefit from the infusion of these people with their tremendous sense of humour and sense of brotherhood. Therefore, it is not strange that the Caribbean people should want to preserve some of their ethnic differences.

I have reviewed briefly the three approaches to Canada's involvement in the Caribbean. I think there is some merit to the concentration or impact thesis that Canada might pick an area, and there has been an historic association in some sense between Canada and the Commonwealth Caribbean. I take the

strongest exception to the vacuum thesis, which has merely served as an excuse for big powers to bully little ones and for wealthy powers to exploit poor ones.

The Vice-Chairman: Dr. Eaton has asked that we take these sections of his remark point by point. I will ask Senator Robichaud to open the questioning on the first section.

Senator Robichaud: Thank you, Mr. Chairman. May I first be permitted to say that this committee is most fortunate to have the benefit of Dr. Eaton's years of experience in Caribbean problems. I will only have one or two questions concerning the first part of his remarks, which has covered the situation in general. I hope to have more specific questions when the other aspects of his presentation are placed before us. It is a well known fact that the Canadian Government has been placing emphasis on the Commonwealth Caribbean development and has extended, particularly in the last few years, its assistance program for these particular countries. Could you tell us more specifically, Dr. Eaton, what justification you see for the present attitude of the Canadian Government in emphasizing the present program?

Dr. Eaton: For whatever reason there has been this historic association and a pattern of trade between the Caribbean region and Canada. It goes back to the days of slavery, as you can appreciate, when cod fish was a major item of diet for the slaves. When I was growing up I was led to believe that it was slave food and had no value. Happily we now know it is a valuable source of protein so that we can continue to live on that pattern. Also there is the tradition of the parliamentary system of government. A major attraction for us in the Caribbean as far as Canada is concerned is that Canada in a sense embodies some of the British traditions and some of the American vigour. This puts Canada in a position to play a role which, in a sense, reflects both influences in the area, the American sphere of influence and the British tradition. There is also the question of the human resources in the Caribbean, to which much reference has been made. I will come back to this later, as I have my own views about it. However, there is a tremendous build-up of human resources, certainly in the civil services, which in some islands are as sophisticated as one could ever wish them to be. Therefore given a continuing level of assistance, the Caribbean region, with some self-help on their part, could achieve decent standards of

living. While population pressure presents a serious problem internally, from the point of view of aid-giving, it is not a large population, and Canadian aid, even at a substantial level, would not be that onerous on the Canadian taxpayer. These are some of the reasons why I would say that the involvement of Canada in the area should continue. It is a part of the Commonwealth, for what that is worth, although the Commonwealth has been undergoing significant change in recent years.

Senator Robichaud: In recent months particularly there seems to have been some concern in Canada with regard to the attitude of certain Caribbean countries towards Canadians. Could you tell us how important a factor Canadian assistance has been in creating public goodwill towards Canada?

Dr. Eaton: I believe it was Professor Doxey who made the observation that Canada is liked at the moment because she is not doing much. Recent developments in the Caribbean have taken a serious turn as far as Canada is concerned. In fact, I would say at the moment there is stronger resentment and hostility to Canada as a power then against any other power that I know of in recent years. This is a very recent turn arising out of developments in the sugar industry. In 1966 the Caribbean Commonwealth Prime Ministers came to Canada to review the Canada-West Indies trade agreements. As a result of this Canada gave certain assurances that she would do all she could to assist in the negotiation of the international sugar agreement. At the same time Canada agreed to a refund or rebate of certain import duties on sugar. This rebate has been about 29 cents per hundred pounds. This has meant the Canadian Government has been making a payment to the Caribbean Governments which has been helpful to them in a number of ways. For instance, I was involved in a sugar dispute in Barbados where the existence of this additional fund was useful in assisting employers, workers and the government itself to make possible adjustments in wages and living standards.

Four or so days ago, for unexplained reasons, the Canadian Government unilaterally abrogated this agreement. This has been taken very badly by the Caribbean Governments. In fact, a copy of a resolution passed by the Caribbean Governments has been placed before you. Passed on April 17, this resolution voices very strong disapproval of the Canadian action which was unilateral and

without consultation. In my view this may have very serious repercussions on Canadian presence in the Caribbean. In fact, if you refer to the resolution you will see that in the last part of it what is implied is in fact an inventory of Canadian assets in the region to see the scope of Canadian investment and by implication what retaliatory action might be taken, although it is not spelled out that clearly. The feeling is strong because over the years there has been continuing resentment of the Canadian position generally in sugar. Canada, as you know, was brought into the Commonwealth sugar agreement not as a producer, but as a purchaser when it was started in 1947, 1948.

The idea was that Canada would buy sugar at prices that would enable the Caribbean governments to enjoy some stability in their income. What has happened is that when the price of sugar has risen very steeply on the world market Canada has not taken up her Caribbean quota; she has tried to find cheaper sources from South Africa and elsewhere. When, however, the world market price has fallen to very minimal levels, Canada has been quite anxious to take up her Commonwealth quota. Sir Robert Kirkwood, Chairman of the West Indies Sugar Association, in a recent commentary in *Daily Gleaner*, drew an analogy here between Canada and the Dutch in the old days:

In matters of commerce the fault of the Dutch

Is giving to little and asking too much.

Apparently the suggestion is that Canadians are plagued by a merchant mentality rather than the venturesomeness of the innovative industrialists in that they are prepared to buy in the cheapest market and sell in the dearest. So there has been very strong continuing concern about Canada's unwillingness, as a partner in the Commonwealth operation, to pay prices for sugar which would enable the Caribbean producers to cover the cost of production.

I will give you some examples of what is involved here. In 1965, the United Kingdom paid £46.11.6d., roughly \$138 Canadian per ton of sugar; the United States paid almost the same price, £45.17.4d.; Canada in that year paid £25.5.5d., almost half the price paid by the other two powers. In that year the cost of production in Jamaica alone was £42.12.9d., so that Canada was buying West Indian sugar—because all it was doing was buying sugar at the price of the world market plus

the preference—at less than the cost of production. The same thing occurred in 1966, when the U.K. paid £47.10.0d., the U.S. £45.9.0d., and Canada £25.2.3d. The cost of production was then £45.13.5d. in Jamaica. In 1969, the U.K. will be paying £47.10.0d. per ton, the U.S. £63.12.0d., per ton, and Canada as a major Commonwealth power, will be paying £38.12.0d. The cost of production in Jamaica per ton is likely to be £57.10.0d.

The West Indian governments have been concerned at the fact that Canadians have been much too conscious of their capabilities as merchants. In other words, you buy in the cheapest market and sell, if you can, in the dearest, or at the dearest prices. I think the Caribbean governments missed the boat in 1966, in that they did not then try to negotiate with Canada a type of Commonwealth sugar agreement which would have enabled Canada to guarantee fairly remunerative prices.

Senator Connolly (Ottawa West): May I just interject? You speak about the British paying a certain price and the Americans paying a certain price, while Canadians pay a much lower figure. In the case of the British and Americans, are the buyers the same as in the case of Canadians? In other words, is it some agency in the U.K. or in the U.S. that is paying those prices? How does it work? As I understand the Canadian situation, we have no government buying agency.

Dr. Eaton: That is right.

Senator Connolly (Ottawa West): It is a free market and it is up to the individual sugar user to buy where he wants to. I am only asking for information, because it seems to me to be an unusual situation. Does the same rule apply for the U.K. and the U.S.?

Dr. Eaton: No, certainly not for the U.K. It seems to me that Canada has no central purchasing agency for the simple reason that it does not have any institutional arrangement, any agreement. If you entered into an agreement, presumably there would be some agency, there would be a guarantee of payment for sugar and it would be redistributed to private channels, so I do not see that there is any complication. Certainly the United States Government has not had to set up any elaborate agency.

Senator Connolly (Ottawa West): It has not?

Dr. Eaton: No, not as far as I am aware.

Senator Connolly (Ottawa West): Then how do the Americans persuade the buyers in the private sector to pay this high price?

Dr. Eaton: Simply because this price, which is high for the Caribbean, is still not too high for the American distributor to handle. I am not quite sure about the specific arrangements in the United States, but my understanding is that the United States Government determines its quota; it says what can be supplied from domestic sources; it then tells each foreign government what amount of sugar it can supply and the price at which it can be supplied. I think there is then some kind of brokerage institution which deals with the redistribution of sugar. I can check this. I may be able to get some assistance on it.

Senator Carter: I wonder if the professor would clarify one point. Was Canada buying at less than the market price? Was Canada paying the West Indies less than the market price?

Dr. Eaton: You see, there is really no market price in that sense. Of the total production of sugar in the world, only one-eighth reaches the free market. The other seven-eighths of the world's production of sugar is sold under protected arrangements, agreements such as the Commonwealth has; the French have theirs and South Africa has hers. In a sense, therefore, there is no such thing as a world market, because it is a highly artificial price. It means that once you are guaranteed a certain return or a certain price on sugar, some countries can afford to dump the entire surplus they have to sell in the world market and forget about the price. To say, therefore, that the Caribbean producers are inefficient in terms of the world price is quite meaningless, because the world price is wholly artificial; one-eighth of the world's supply is being discarded on the free market, and this is the sugar that Canada has been buying, plus the preference.

Senator Carter: I understand that the French islands produce sugar at almost half the price of that produced by the Commonwealth Caribbean islands. In other words, they are much more efficient producers of sugar.

Dr. Eaton: You see, I find it difficult to talk about efficiency here. It might be said that producers are efficient or less efficient in

terms of the final cost of their output. However, in Guyana, given the topography where sugar producing land is below sea level, it is an incredibly efficient operation, and very few industrially advanced managements could improve on the level of efficiency in the Guyanese situation. Given the fact that there are these problems—incredibly difficult problems of flood regulation, being below sea level—that there has to be an elaborate system of canals and so on, it is an efficient operation, all things considered. It is a high cost producer, but it seems to me that that is quite a separate issue from saying that somebody is inefficient.

Senator Carter: Would you give the committee your views on these fixed marketing arrangements? Are they good for the Caribbean or bad? How do you improve efficiency if they are subsidized in one way or another by these marketing arrangements?

Dr. Eaton: For the very simple reason that the trend towards rationalization is continuing all the while. One of the striking aspects of the sugar industry in the Caribbean has been the continuing decline in employment in the sugar industry as mechanization proceeds; it has been going on for a long while. If you told some Caribbean governments to mechanize completely they would not be able to do it, because given the hillside agriculture and the topography of the country you need new technologies to devise new types of machinery to cut cane in that environment.

Senator Carter: My question is whether the effect of these marketing arrangements on efficiency is good or bad.

Dr. Eaton: It is good in the sense that it enables the producer to enjoy a rate of return that enables him to continue modernization. It guarantees some stability of export earnings for the countries, and enables them to carry through their development programs and it makes it possible for wages to rise steadily in the sugar industry. After all there are any number of commodities subject to international agreements and sugar is but one of them. It so happens that sugar tends to be more highly political than some of the others. What all of the Caribbean governments are concerned about is why Canada as a member of the Commonwealth and as a party to that agreement, is not prepared to pay a price for sugar which would enable the producers in the region to cover their costs of production.

Senator McLean: I am still not quite clear as to why the Caribbean countries still sell sugar to Canada at this tremendously low price. Surely it is a question of what the consumer in Canada is going to pay and not the Canadian Government.

Dr. Eaton: Because of the Commonwealth Sugar Agreement, the Caribbean producers are obliged to meet a specific Canadian quota for sugar. In other words, at any time Canada can say to them—"Even if you can sell all your sugar to Britain and the United States at preferred prices, there is a quota which must be reserved to Canada if she wishes to avail herself of it."

Senator McLean: But that is at world prices?

Dr. Eaton: At world price plus preference. That is the price Canada is paying. But what I am saying is that the world price is not a meaningful economic price. It is the artificial price for dumped sugar and this is what Canada pays—that plus the preference.

Senator McLean: But the Government is not responsible for the price. They are obliged to quote a price and it is the sugar users who determine the price and not the Canadian Government.

Dr. Eaton: Under the existing scheme.

Senator Robichaud: One more question on sugar, Mr. Chairman. We have been talking about Canada's position, but will you tell us, Dr. Eaton, are the area governments making any attempt to cut down their costs of production, or are they insisting on maintaining the old system of producing sugar?

Dr. Eaton: Well, if you will allow me to say a little about sugar in general in the Caribbean, it is a topic which is of great concern not only to you here but to the governments themselves. Now, I do not know of one Caribbean political leader who is not anxious to phase out of sugar. There are a number of reasons for this; first of all, there is always the danger of chemical substitutes coming in to replace sugar cane or sugar from the cane. That is one aspect of it.

Secondly, is the fact that I know of no other occupation apart from the old chain gang which involves more cruel and brutal hard labour than sugar cane cutting. If ever you get an opportunity I would recommend

that you go to Guyana and see what transpires there, where the cane field is set afire because of the fear of snakes and other insects, and almost before the flame has died down, there are workers moving into that area, because once the cane is burned, if it remains too long without cutting, then it loses some of its sucrose content. That is brutal and hard labour. Moreover it is associated with slavery and manual work. It has had a tremendous social impact in the Caribbean countries and all of us have been concerned to get away from it.

So that, as I say, there is concern on every level to phase out sugar. But what does one do? Here you have economies that are limited in size and with limited resource endowments in some cases. Let us speculate about Jamaica, for instance. If wholesale mechanization were allowed, it could displace 20,000 workers, affecting 80,000 or 100,000 people. I assure you that there would be bloody revolt in a matter of days. You see, a worker cannot judge an economic system by statistics. I think that one of the most fraudulent exercises in which we have been engaged in the last decade is the numbers game and people have been asked to make all kinds of sacrifices because of something called per capita income. But to the man who is unemployed, the efficacy of the system must be judged by its impact on him. And for us and for any government to go to the sugar workers in the Caribbean and say, "We have to displace you because we have no alternative but to satisfy a theoretical consideration and we want to restructure the economy"—that would be a gross irresponsibility.

As I say, I see sugar being phased out as a long-time possibility, but I think it would be suicidal and irresponsible for any political leader to say we are going to scrap it now. What do you do with the people who are displaced? What is the alternative? At the same time, I think the sugar industry is being constantly rationalized, and as a result the Jamaican Government is being forced to reconsider its own position. The Jamaican Government set an embargo on the importation of machinery that would lead to large-scale mechanization of sugar. But gradually they found that for certain types of occupations, there were no workers to be had. The men just thought it was too menial a job to do, and it was possible therefore to introduce machines to do that particular type of work. Gradually then as the exodus of skilled

people began to the United Kingdom in 1950—all the tractor drivers, and so on, a shortage of labour began to develop, and the producers began to think of a further step in mechanization.

Right now the Jamaican Government is allowing some mechanization on an experimental basis to see what its impact will be. But I would wholeheartedly support an immediate phasing out of the sugar industry if there were alternatives—if, for instance, one could anticipate that the workers would be free to emigrate elsewhere. In fact I remember reviewing a study—I think it was in the early fifties—of mechanization at one particular estate in Jamaica. Here there was a serious displacement of workers, and they were given separation benefits. Some time afterwards when the researchers went to check what had happened to the people, most of them could not be found. They had used the money, sold whatever they had, and had gone to Britain. That door has been closed by Britain, and I doubt whether Canada also would be prepared to take in large scale immigration of unskilled people.

So that all these assumptions cannot be made, such as large-scale immigration to ease population pressures or alternative opportunities for employment. So that my point of view is that one cannot take an ideological position here. What is the end objective of economic activity? Certainly it is to benefit human beings and I take a dim view of economic theorists who on purely ideological grounds would scrap the industry because they want to force a government to restructure the economy. I do not see how you can do that without having bloodshed. And for those who espouse this radical solution, there is the example of Cuba which is very instructive. Here is a country which has had perhaps the most profound ideological revolution since the revolution in Russia in 1917.

What is happening in Cuba? There is a tremendous concentration on the development of the industry of immediate advantage, namely the sugar industry. I think it would be suicidal for Caribbean Governments to say that we are going to abandon sugar here and now. The suggestion has been made by other witnesses before this committee repeatedly that Canada should not concentrate on aid to sugar to force this movement. I think this is quite unrealistic. The logic of events will bring about this change. I think it would be an unwise proposal in any event.

I think one has to realize that the end of the exercise is employment, and I think in the Pearson Commission on International Aid and rightly so, it is emphasized that there has to be a new emphasis on employment rather than on income. In fact if you look at the Caribbean governments, most of them have been eminently successful in generating income, but the creation of national income and employment are not the same thing. And where you do not have an advanced welfare state to redistribute income, employment in these circumstances must be more important than income, and I think here the Pearson Commission is on sound ground.

To go back to your point, I would say that there will be continuing pressure for rationalization of sugar, to continue to reduce employment costs and the costs of production, and there will be increasing pressures for mechanization. The Government must be concerned, however, about policies which would undo all the work that they have done since the governments of the territories began to take greater control of their own destinies. I think it would be grave irresponsibility on their part, as a purely theoretical consideration, to phase out an industry which has been the lifeblood of the economy.

I do not see either why we should all be expecting backward economies to solve agricultural problems which we, in the advanced countries, have been unable to solve since the advent of the industrial revolution. It is, in fact, a bit ironic that Canada is now paying, as some honourable senators have observed, millions of dollars to farmers to sit at home and not grow wheat; and yet, at the same time, a modest guarantee of stable prices to the Caribbean is seen as an insuperable obstacle, or interfering with the market mechanism.

The Vice-Chairman: I am afraid that honourable senators have somewhat anticipated your themes. I hope you do not mind, Dr. Eaton.

Dr. Eaton: Not at all, Mr. Chairman.

The Vice-Chairman: So we will let you proceed at your own pace. I will call on Senator Belisle now, if you do not mind.

Senator Belisle: Thank you, Mr. Chairman.

Dr. Eaton, you said a while ago that Canada is not too popular at present and that it is losing ground every day. May I say that

last year, when I attended the Fifteenth Commonwealth Conference, I detected already a wind of change towards Canada in what I would mostly call the western part of the Commonwealth, and we were told in the inaugural address by Dr. Williams, the Prime Minister, that the government was thinking of changing its constitution and going to a republic.

My question is this: Do you feel that more economic aid will be forthcoming from India, Pakistan, or that section of the Commonwealth? Certainly, employment cannot be coming from that sector.

In your thinking, what are the prospects for economic association of the Caribbean with other trade blocks, and how great is the interest of various countries in securing associate status with Britain if Britain enters the European Common Market?

Dr. Eaton: To take the first part of the question first, the question of wider association of the Caribbean communities in the all-embracing sense. My view is that provided not too much is expected too quickly, the CARIFTA development is a very healthy one. It is, in a sense, a hybrid situation, in that, as you know, there is still a number of barriers under the arrangement. There is a reserve list of items where tariffs will be maintained, in some cases for five years on the part of the bigger and more developed units, and 10 years for the smaller and economically weaker ones. My own view is that even within CARIFTA the Caribbean governments will have to face up to one reality, that this type of preferential treatment, it seems to me, is dodging the basic issue. The basic issue should be freedom of movement in the Caribbean Commonwealth countries. This would make it possible for the continuing development to be concentrated in Jamaica, Trinidad, Barbados and Guyana, and then for the peoples of the smaller communities to be able to move freely to take advantage of the economic opportunities. At the present time most of the Caribbean Commonwealth countries have restrictive immigration policies.

Senator Belisle: Very restrictive.

Dr. Eaton: Yes, that is so. To my mind, this is a shortsighted view because, quite frankly, I am not convinced that concentrating or diverting investment projects to some of the smaller units, at the expense of the larger, is going to solve the issue. I see it, therefore, as

an intermediate phase in which as specialisation and comparative advantages are carried to their logical conclusion, there will have to be freedom of movement.

I can find a rationale for the existing scheme including the emphasis on the regional development bank, only because there are these limitations on movement. If there had been freedom of movement, then there would be no need for the regional bank to concentrate almost exclusively on the less developed of the islands.

I think there will be also a growing movement of involvement in Latin America on the part of the Commonwealth Caribbean. This must come slowly, if for no other reason than the problem of communication. When I was attending high school in Jamaica I was regarded as being eccentric for taking Spanish; one could just as well concentrate on French, this being the language of culture and diplomacy, and you might hope one day, of course, to go to Europe on a holiday; but you never went to that foreign country called a Spanish-speaking country.

This degree of collaboration will move slowly because we know very little about the Latin peoples. At the same time we, especially those of us who are economists, are conscious of the contributions which Latin-American thinkers and practitioners through ECLA have made to aid understanding of their economic problems as well as those of the Caribbean generally, and I think there will be growing reciprocity. I think it will have to be spearheaded by those countries best placed to do it. For instance, Trinidad has a fairly close association with Venezuela, and three of the Commonwealth countries have become members of OAS. What I am saying is that these are movements we can encourage, but cannot force.

The question of the European economic community is a very complex one. I am in a position to tell you that the Caribbean governments have done a lot of homework on this issue, as to the type of reverse preferences that would have to be conceded—what type of reverse preferences one would have to make, for instance, if the European Common Market were to buy Caribbean sugar; what type of reciprocal trade also would be involved. These are very complex issues and, in fact, until Britain goes in, it is difficult to know what the actual implications would be. The British might be able to protect their tradi-

tional markets; on the other hand, they might not be able to. There is a number of models that one can use—there is the French or Yaounde convention type of association. There is the East African type association in accordance with article 238 of the Treaty of Rome. There is the limited type association along lines reached by countries such as Morocco and Tunisia and the ECM.

I know that the Caribbean governments, even in this last conference, have been looking at this, but until Britain actually goes in and until the picture becomes clearer, it is very difficult to know what types of adjustment will have to be made. For my part, I am not worried. I think it is better if the adjustments are forced upon Caribbean governments by the logic of events.

Senator Carter: Could you tell the committee, in your opinion, what is the most likely adjustment that will result if Britain actually goes in? What, in your opinion, is likely to happen?

Dr. Eaton: I am in a peculiar position here, honourable senator, and I hope that you will excuse me. I would not like to speculate about an issue which would put me in the invidious position of having to disclose information that might be privileged.

Senator Belisle: Doctor, you spoke of creating employment.

Dr. Eaton: Yes.

Senator Belisle: To my way of thinking tourism has always been a great factor in employment. Do you feel we have already given too much attention to this? We read in Canadian and U.S. magazines that tourists, to a certain extent, are not received with the red carpet? I am using that as humour.

Dr. Eaton: This is a most interesting area of speculation. First of all, I will review very briefly some of the issues which have already been raised with you. The fact of the matter is, as you have heard, that through imports of food, vegetables, and so on, there is a fair amount of leakage outside the economy. There is also the repatriation of profits, and so on. A balance has to be struck between the real wants of tourists, in terms of their dietary habits, and their imaginary wants. My own view is that this is a matter which the Caribbean people will have to resolve themselves. In my view they react too strongly to the imagined attitudes of tourists, but the

are not alone in this respect. We have done the same thing here in Canada on such issues as foreign ownership. My own position is that this has been a wholly spurious issue in Canada. Canadians need to determine the ground rules. America is more dependent on Canadian raw materials than Canada is on the United States, but this is another issue. This balance, then, between the real and the imagined wants of visitors has to be adjusted by the Caribbean Governments and people.

You have also heard about the social impact. What could happen, if there should be a tremendous flow of foreign visitors, primarily white, into small communities which are predominantly non-white? My opinion is that the social implications at the moment are primarily conjectural. To speak with some experience of Barbados and Jamaica, quite frankly I do not think this social impact is that serious at all. On the contrary, in Jamaica it has had a very salutary effect. You may view this as undesirable in that you are not being treated with the deference you expected. Remember that our association with the white man historically has been as a member of the ruling class. Expanding tourism has demonstrated the fact that there are other classes in white communities and they have a working class also. In Jamaica there is a much greater acceptance by local staffs in hotels and restaurants of their own local inhabitants. After all, they may be as equal as the foreigner who is white. Therefore I am not concerned that much about the social implications.

You referred to giving the tourists the red carpet. This puzzles me. Italy is plagued by industrial and political violence. France has periodic strikes with students tearing up whole boulevards and fighting with the police. I have never heard any Canadian say he is not going to visit Italy or France again because there is strife there. However, if there is a slight disturbance in the Caribbean, you are worried about political instability. The issue is: what are you really worried about? Being provided with facilities or being treated with deference? The seeming lack of enthusiasm for the tourist in the Caribbean is merely a reflection of the fact that the economies are developing. I will go so far as to say that a growing incivility is a sure sign that an economy is developing, because if people are very busy they have no time for exaggerated civility and courtesy. I am not saying the two cannot be combined; the Japanese seem to

have managed to do that. This does not affect you alone as visitors, but local inhabitants also.

I will never forget the shock of my first experience in a department store in the United States. I expected to hear "Good morning, sir; what can we do for you? Can we help you?" Instead it was "What do you want; what do you want?" The situation is not that bad in Canada, I am happy to say. My point is: what are you really looking for as a tourist? Is it efficient service and a welcome which makes you feel that you are contributing to the economy? Or do you want deference? I am afraid that deference, for better or for worse, is on its way out in the Caribbean. The attitude to tourists varies from island to island. In Trinidad, for instance, travellers are likely to feel frustrated, but it is just that tourism is new there. They have not had to rely on tourism previously because they had oil. In fact, nobody has been as exasperated as I have been travelling through Trinidad. On three occasions I have refused to leave the aircraft at Trinidad airport simply because the immigration and customs officers give you the impression they are not too anxious to be disturbed. On the other hand, the tourist board and the government itself is committed on an expansion of tourism. Here I think you are in a phase where industry is new.

Certainly in Jamaica I would say that people are much more busy today; they have become much more money conscious.

The cash nexus is the important thing. If you want to take a person's picture he knows what you want to do with it. Why should he not demand money of you? I once took visitors from Canada to Jamaica on a tour of the island, and each time they saw a peasant in a quaint dress, in working clothes, they wanted to stop and take a picture. If we are at home here and somebody comes to visit us unexpectedly and wants to take a picture, the women would want to go and fix up their hair and change their clothes and we would want to look presentable. Why do we deny the dignity of this to the people in these countries? Foreigners are interested in the bizarre because the normal is not news. There is, therefore, a growing awareness of the cash nexus, and it has affected local inhabitants as much as it does visitors.

In the agricultural community in Jamaica, in the part of the world where my parents came from, there was a time when farmers

would help cut each other's crops free and provide only food. Now you cannot get people to do that; you have to pay for it. In other words, it is a reflection of the growing monetization of the economy, and of the development, and I do not think you should be too alarmed about this.

Another factor that we have to live with is that once you become recognized as a world power you become the focus of hostility. In the days of the British Empire it was the British. In the days of the Americans it will be the Americans. If Canada becomes an even greater world power, there will always be a measure of hostility against Canada as a world power. This is quite inevitable and inescapable.

I would summarize by saying that certainly for Jamaica and Barbados, as I have seen, and some of the smaller islands, I am not too perturbed about the social implications. I think the factor of growing antagonism is a passing phase. There is some confusion between civility and servility, but this is understandable with young nations conscious of the need for dignity and national identity. I do not see that the Canadians should be too alarmed about this.

If there has been a growing hostility to Canada, I think it has been more on the question of sugar. There has been some aftermath in some territories over the Sir George Williams affair, particularly in Trinidad I would say, less so in the other areas. Everyone recognizes the tragedy of the situation, that in fact what was regarded as the most liberal university in Canada, Sir George Williams, as far as the Caribbean students were concerned, should have been the one in which this incident took place. This is the tragedy of the whole situation. I do not think it will have a lasting effect in most of the territories, although it has become part of the political restlessness in Trinidad and to a lesser extent in Guyana. I would say that sugar has been a factor of greater significance.

There has been considerable irritation, also I think, at the Canadian assistance procedures which have been described to you—the fact that the procedures are very cumbersome, that it takes an unduly long time to process applications for assistance, even longer periods for the decisions to be made, and an even longer time lapse for their implementation. There is a growing resentment over tying of Canadian aid.

The Vice-Chairman: Dr. Eaton, you have made us very conscious of our responsibility in the matter of our civility towards you. I hope we have not disrupted your own program, but you have seen that there is a tremendous interest among the senators, and many of them are anxious to ask you questions. May we proceed on that basis?

Dr. Eaton: Certainly.

Senator Robichaud: I am inclined to be in complete agreement with your statement that the sugar workers are anxious to get out of this brutally hard labour, and my question has two parts. I would ask you: Would it not be more advantageous for these countries to divert their agricultural activity to other products than sugar? The second part of my question is also based on this resolution, a copy of which you have passed along to us, which reads in part:

And whereas in July 1966, at Canada West Indies Conference held in Ottawa the Government of Canada agreed to grant a refund to the Governments of the Commonwealth Caribbean sugar producing countries of 29 cents (Canadian) per 100 lbs. on the duty paid on the imports of sugar up to a maximum of 275,000 tons...

If my quick figuring is correct, even if this full quota was reached it would mean a refund of about \$1½ million.

Dr. Eaton: Yes.

Senator Robichaud: Would you not be inclined to believe that in view of the situation they would welcome the offer from Canada of a fund of \$5 million for the development of agriculture instead of knocking Canada for perhaps not meeting its commitment in full? You are comparing now a refund of \$1½ million against an offer of \$5 million. If they are anxious to get out of this unprofitable operation of sugar growing would you not think that they would welcome this offer from Canada?

Dr. Eaton: I have no doubt that they would welcome the new offer from Canada, senator. The problem is that we are dealing with two separate issues. The Caribbean governments see no necessary connection between a rebate of duties and the establishment of a development fund. The former was negotiated in conjunction with the Caribbean heads of state and governments and the Canadian govern-

ment. This was something negotiated in good faith and in a very amicable spirit. What they take the strongest exception to is the unilateral abrogation of this arrangement by Canada. There was absolutely no consultation, to the best of my knowledge, between the Canadian government and the Caribbean governments.

Not only that, but in purely political terms this is a diversion of funds from the government itself to a regional institution which will be distributing the money to non-sugar producing areas. But, it seems to me that that is of lesser significance. The two issues are quite separate.

I think the exception is taken to the suggestion that one is a substitute for the other. The Caribbean Governments feel that if the Canadian Government wants to make a meaningful contribution to the economy of the area, it should purchase sugar at a decent price. Then they would not have any need for the rebate. The other thing, the Development Fund, is quite separate.

I object to the fact of Canada's paternalism here. You abrogate an agreement unilaterally, and substitute one form of payment for another, as though the two things were dependent upon each other. They are, in fact, quite separate issues.

Senator Robichaud: Is not this offer of \$5 million in addition to the other funds earmarked by Canada for external aid work in the Caribbean area? It is an additional amount of \$5 million, is it not?

Dr. Eaton: It might well be, but, you see, we have to separate the two things. One is the unilateral abrogation of an arrangement made in good faith, and the other is the unilateral declaration of the giving of aid. I imagine that the Caribbean governments may change their views when they hear from the Canadian government as to what is involved and what the priorities are under this new scheme. But, the fact of the matter is that they have not been consulted up to this point, and this is what has caused raised eyebrows in the area.

Senator Fergusson: Thank you, Dr. Eaton. I have certainly found your presentation most fascinating and I am sure we have learned a great deal. The questions which I am going to ask deal with Antigua because I am particu-

larly interested in that country. I suppose I am the latest one who has been there. The questions would apply to other places also.

In the *Caribbean News* of February they mention that a brewery is being built in Antigua and only Antiguan may invest in it and the amount which they may invest is very limited because they want to spread this out over a great many people and get them interested. I do not know in how many other places this same thing has been tried. Could you tell us if it is successful and whether people are taking up these shares.

Dr. Eaton: I can give you one example which I am familiar with in Barbados. A Guyanese industrialist started a brewery there and it got off to an excellent start. Within a few years, however, Barbados investors were able to acquire controlling equity interests. For those of you who have been there it is still going strong and doing quite well.

Senator Fergusson: I did not know that this was one of that type.

Dr. Eaton: These things are of symbolic importance it seems to me. Here in a small community, using Barbados as an example, you are able to demonstrate investment possibilities and the capabilities of local labour, and in so doing effect a shift in the traditional pattern of the investment of the local people into equity investments and industrial investments. I think it is fair to say that within the next few years you may anticipate a growing concern on the part of the Caribbean governments on the issue of foreign control of land and basic resources. I think the approach is going to vary from area to area and from country to country.

There are two main issues here, as I see it, which will be of particular interest to Canadians. First of all, how to prevent further acquisitions on the basis of outright ownership by foreigners of the basic resources in the Islands? The second one is that given existing foreign ownership of enterprises, how can you widen the participation?

The governments of the region can adopt a variety of policies and I will enumerate some of them. First of all, the governments in the larger units are encouraging existing enterprises to broaden their participation and they have been very successful with this, certainly in the banking field in Jamaica where the

Bank of Nova Scotia went "Jamaican", as the saying goes. North American Life Insurance also went Jamaican. Here, you are building up, it seems to me, the investment climate among the local people, who by historical background and tradition, were averse to business activity.

Fifteen years ago there was not a coloured managing director, as far as I know, in Jamaica. Given the British tradition you went into the liberal professions or the civil service. Only the failures went into business. Thus, the black sheep of families went into business while the seemingly brighter ones went into government. Now, we have had a shift of emphasis as entrepreneurial sector is developing. There is going to be, as I see it, a strong emphasis on increased participation by Jamaicans in Jamaican firms.

The Jamaicans have tended to be less ideological than the Trinidadians or the Guyanese on this issue. Of Jamaica I speak with personal knowledge. It would be virtually impossible for any further banks to be established in Jamaica unless there is a majority of Jamaican participation and rightly so. How can you regulate the economy by fiscal and monetary policy if you cannot in fact control the basic resources and basic services? Jamaica, as far as I can gather, is using another very pragmatic device, namely licences. Once you require a licence for something, you can negotiate terms and conditions. Heretofore the Jamaicans have shied away from discriminatory legislation, but I think that in the eastern Caribbean and particularly Guyana the confrontation is likely to be resolved by direct legislation rather than administrative devices.

Mr. Demas enunciated for you Trinidad's policy in the realm of tourism. There are to be no casinos, no exclusive beach rights, no exclusive tourist colonies, no exclusive tourist residence areas and no discrimination in hotels. But here again you cannot generalize. Barbados, St. Lucia, and a number of the other smaller islands solved the beach rights issue by not allowing it to develop as a problem. They developed legal codes which covered rights of access to everybody. In Jamaica this may prove to be a very crucial issue, because the local people do not have access to the entire north coast of Jamaica. It would seem that property rights of foreigners are as firmly protected as those of nationals by the existing legal code and constitution. It will be

difficult therefore to establish rights of way without restructuring the legal system. What the government has attempted to do is to exercise some control through the Beach Control Law and, where commercial investment is involved, such as the establishment of commercial beach, the Government can lay down certain conditions. Apart from this, the Government has attempted to establish public beaches, but these are not completely adequate because they are without adequate public facilities. It seems to me that the crucial issue, given the existing legal framework, will be to assure Jamaican access to hotel facilities and beaches at reasonable prices. Access to beaches will mean very little for the people at large if they are charged prices that they cannot afford to pay. Thus, if the local people can be very effectively shut out by high prices, tourism could serve them to perpetuate a socially exclusive and invidious system which Jamaicans and West Indians are increasingly anxious to discard. But one has to be pragmatic about these things.

In the meanwhile, I can only ask you to understand local concern. I can give you another example from Jamaica concerning land ownership and beach rights.

Near to Montego Bay extensive land holdings were acquired by a firm with local as well as foreign interests for development of a residential as well as tourist community. Villas, multiple dwellings and condominiums are being built and it is one of the most attractive real estate developments that I have seen in Jamaica. The entire first phase was sold out almost exclusively in the United States and in Canada without fanfare, and when Jamaicans learned about it, the majority of the lots had been sold to Americans and Canadians. Not only that, in each case the foreign and other purchasers were encouraged to take three lots on the assurance of the developers that two would be resold thus enabling original purchasers to get their one lot free. The result is that Jamaicans will now have to pay higher prices to Canadians and Americans to participate in the project as it now stands.

Now, these are the types of things that there must be a stop to. So, the Jamaican Government has had to impose—although I don't think it has reached implementation yet—a 20 per cent transfer tax on non-residents who acquire land unless they can demonstrate their intention to start a development project within a year. That seems to

me to be quite a reasonable imposition. I think you will see in the Caribbean in the future areas of economic activity such as I have just mentioned where overseas investors will be able to participate on a joint venture basis only. There will be other areas of course where private investment will be encouraged without restrictions. But I also think you may see proscription of foreign private investment in public utilities. And logically this is as it should be. But I don't think one should generalize about Caribbean attitudes to foreign ownership. One can say, however, that Guyana, for instance, may be much more concerned, and possibly Trinidad also, about the ownership of basic resources by foreigners. But here again I think the basic approach will be one of pragmatism. You will appreciate that this is an issue which is of world-wide concern and is one which we share here in Canada.

If I might add, and I do not want to talk too long, there is one thing which fascinates me and that is the tremendous quest by private investors for security—security of profits as well as of property. Your committee has raised this issue with nearly every witness who has appeared before it. But I ask you, what is the justification for the capitalist system, if capitalists do not want to take risks. If private capital needs all these assurances, why do you need the private enterprise system? I was under the impression, that part of the justification for profits was risk-taking. What we seem to be obsessed with the idea of security, we want economic security, we want political security. We want vast incentives.

As you heard in evidence, Guyana is just beginning now to reap higher levels of revenues from the bauxite industry, as the incentive concessions are being exhausted. Why were these concessions necessary at all? Capital would have gone there in any event, to take out a strategic resource, or bauxite, just as capital would go anywhere to take out oil, and just as western capital, I am convinced, will go to the Soviet Union and to China, and even into the devil's arena, itself, provided there is an assurance of repatriation of profits or dividends.

My own view again is this. We talk about venture capital and risk capital. Are we very serious about this? Why do we need all these assurances? This is a thing that struck me quite forcibly, in reading your notes of evidence, that everyone wants to be guaranteed

all these tremendous protective devices. My reaction here is that you are arguing that we no longer need a mixed economy, a capitalist system. To me, that is a logical conclusion.

Senator Carter: I have two questions. Before I ask my questions, I want to be sure that I understand Dr. Eaton's reply to Senator Connolly's questions about sugar prices. I understood him to say that the price paid by England was guaranteed by the United Kingdom Government, and the price paid by the United States also was guaranteed by the United States Government. Is that correct?

Dr. Eaton: I am not sure about the United States arrangement, to tell you the truth, senator. I am not really quite clear as to the actual mechanism used in the United States. But I am sure it is not of the same pattern as that used in Britain. I believe there are numerous brokerage firms in the United States which would buy the sugar. This is my impression. I do not know if I am correct. Perhaps I could check it out and let you know before I leave Ottawa. I do not see that it would be difficult for Canada if the Canadian Government would say that it would guarantee a certain price. They may use the central marketing board, or they may use the industry's private sector. It could mean that this would be reflected in a higher price for sugar to the Canadian consumer.

Senator Carter: What I am getting at is that the United States Government and the United Kingdom Government is involved in the prices paid by those countries to sugar producers in the Caribbean, but in the case of Canada, our price results from some sort of a formula in the agreement, whereby you pay on the basis of what is called a world price or a market price plus a preference. So the situation is different with respect to Canada, in that the Canadian Government is not involved in the same way.

Dr. Eaton: I accept that. But the point is, why should not the Canadian Government move in the direction Britain and the United States have done? It is bad enough for the Canadian Government to be enjoying this type of advantage. What is of course worse, it seems to me, is that when in fact, as a result of temporary shortages, the world price shoots up, Canada then does not avail itself of the quota reserved for Canada under the Commonwealth Sugar Agreement. It is only

when the world price tends to be depressed, that they say, please reserve our sugar for us.

Senator Carter: I can understand that. But you lump the three together—in the United States, Canada, and the United Kingdom, as though all three were the same. Then you go on, or at least you said later on that there was some irritation in the Caribbean against Canada because of these prices. Now, who is irritated? Is it the Government or is it the people who pay these prices? If so, is any attempt made down there to develop the distinction that exists between Canada and the other two countries?

Dr. Eaton: I don't think there is any denial of the fact that the relationship with Canada is in fact quite different. The concern there is that the Canadians have offered the strongest resistance to any negotiation of a Commonwealth type agreement. My own view, as I said earlier, is that I think the Caribbean governments missed the boat in 1966. They did not carry through the thing and establish it then. I don't know how successful they would be now, and that is the point.

The Vice-Chairman: I think that what is perhaps concerning most of us is along the line of Senator Carter's question: what is the nature of the price guarantee given by the United Kingdom and by the United States? Or, to put it another way, why are the private sugar buyers in those countries not doing the same as those in Canada? Is there a nation-to-nation agreement?

Dr. Eaton: That is right. In the case of the United Kingdom there is the Commonwealth Sugar Agreement. In the case of the United States there is an allocation of quota by the United States government which determines the amount of sugar which can be imported into the economy each year. As I said, I am not sure what the actual mechanism in the United States is. But I could find out. Actually I should know, but it is one of the things which have not stuck in my mind. I could find out and let the Clerk of your committee have that information. I take it you want the specific nature of the arrangements in the United Kingdom, United States and Canada. Mr. Chairman, I will provide you with that information.

The Vice-Chairman: As an economist, Dr. Eaton, do you happen to know why Canada

has resisted entering the same type of agreement as the United Kingdom and the United States?

Dr. Eaton: Mr. Chairman, I could venture an answer, but you would have to promise me you won't think me facetious.

The Vice-Chairman: Not at all.

Dr. Eaton: I have always said that I think Canada is peopled by Scotsmen. In fact, I think that if you look at the Canadian business community you will find an essentially conservative business community. I believe this is reflected in the fact that it took a long while for Canadians to begin investing in their own equity. I remember that as an undergraduate student I was interested in the pipeline debate in Canada. It seemed surprising, you know, that Canadians were not prepared to put up money to do those types of things. That is changed now. I would say it is an ingrained conservatism in the Canadian managerial group. This is the strongest argument against alleged American management domination of Canadian enterprise. I would say that if we were dominated by Americans our managerial group would be much more speculative and innovative, whereas we are much more traditional in our approach; our whole idea seems to be to play it safe. If you have a good thing in buying sugar cheaper, why pay more for it? Quite frankly, I don't think there is anything beyond that, Mr. Chairman.

Senator Carter: Dr. Eaton, you spoke about the growing association with Latin America. I wonder if you include Cuba in that and what influence Cuba is exerting on the Caribbean area.

Dr. Eaton: I must say that my view in a sense, until recently, was close to that of a number of people who appeared before you: Why don't we collaborate with Cuba, for instance, in the area of sugar? But I was impressed with the position taken by the honourable Mr. Mitchell Sharp that Cuba has always dominated the sugar position. Even when Cuba's production was only four or five million tons, she occupied the same position vis-à-vis Commonwealth Caribbean countries. So this is not a new situation. The fact that Cuba may eventually produce ten million tons annually does not make any more difference than when Cuba produced four or five million tons.

There are practical problems of establishing prices. How do you relate your price to the Cuban price system? How do you relate West Indian marketing arrangements with the essentially barter arrangement which exists between Cuba and the Soviet Union? Quite frankly, I do not see any immediate closer association between, say, Jamaica and Cuba. The Jamaicans seem to have a peculiar hangup over Cuba. We have thousands of Jamaicans there, and they have always been there, and yet we have been most hesitant to establish diplomatic relations. I am convinced that the answer really is that we did not want to offend the Americans, and so we proceeded cautiously. On the other hand, I think the point of Dr. Williams of Trinidad, and increasingly of a number of other leaders, that Cuba cannot be ignored, is well taken and I can see trade developing eventually. I am never really perturbed about the ideological issues. The United States invests in Yugoslavia. Given a chance, they will go into Poland and the Soviet Union. I do not see this as a problem really, but here again I think it is a question of historical association. Jamaica as done very little by way of trade with Cuba. Indeed the present government, which I think is preeminently conservative, if one may use that phrase, seems to feel that anyone who even visits Cuba is worthy of being deprived of a passport. Here again, quite frankly, I think it is part of the obsession with security. Part of the problem of the Caribbean at large as I see it, Mr. Chairman, and one of your witnesses—I think it was Father Dionne from Latin-America—made the point, which I thought was very profound, that we could become so preoccupied with security that we overlook social reform altogether. I think there is a great danger of this in the Caribbean. Here again looking at current events, Dr. Williams of Trinidad, I think, has responded very moderately to the political unrest which is proceeding under the label of the black power movement. He has pointed out that Government is aware of the need to effect rapid changes in the existing system but it is difficult to effect rapid change through bureaucratic mechanisms. The democratic system of government does not lend itself to quick changes, and this is part of the price we pay for adopting the liberal democratic system. I always say that democracy is a child of peace and cannot be separated from her mother. It is also a child of luxury. It presupposes a society with a measure of economic surplus so that we do not have continuing emergency debates. Rather it assumes

that we can debate *ad infinitum* what we are to allocate to achieve various social objectives. While conceding that the democratic process is very slow, Dr. Williams of Trinidad has warned at the same time that he will not tolerate political violence and destruction.

So I would say, vis-à-vis Cuba, that the Cubans are there and there will inevitably be normalization with the United States. There is a market which would be of interest to the Caribbean countries. Until the Cubans themselves are ready we cannot force them, and they will have to be convinced that it is in their interests at the present time to change their pattern of trade relations. But I see this coming, if I may answer your question, and I think it will make a lot of sense for the major producers of sugar, the Commonwealth Caribbean, Latin America and Cuba, in effect to establish a more effective international cartel and to regulate prices.

Senator Yuzyk: My question is a general wrap-up question. I think we are very happy Dr. Eaton is with us and has given us the benefit of his views. I think we are very happy to see the various peoples in the Caribbean are doing everything possible under the circumstances to stand on their own feet. Canadians generally welcome such developments throughout the world, and we want to have good relations with countries of that kind. You have given us quite a number of opinions as to what we in Canada should do to improve relations, but I do not think we gave you an opportunity to state all your opinions concerning the improvement of relations between Canada and the Caribbean Islands. Would you care to add anything to what you have stated already?

Dr. Eaton: Yes, I think there are certain areas where Canada can provide assistance. It would take us, of course, into the area of development assistance, in which I really have not been involved. For instance, if you look at the Caribbean as it is now evolving, there are going to be certain obvious services which can be developed in common. There could be the development of an interchangeable civil service with a free mobility of people and a transfer of rights between the civil services in the region. There will be some move to the development of common services in transportation meteorology, broadcasting, and so on. Common services can be developed also in the educational field, in particular in examinations. This is an area where you can

avail yourselves of the regional structures, derive the maximum benefit from administrative convenience and provide assistance which may be helpful. I would say that part of the problem, not only of Canadian aid but aid of the developing countries, is that we are proceeding under a number of false assumptions. For instance, I have been amazed at the premise that in fact you can always send second rate people to the developing countries because you know their economies are backward. The fact of the matter is that the top flight people in the developing areas very rarely have counterparts in the advanced countries. They are exceptionally outstanding. You had one such person appear before you, Mr. Demas. Jamaica and Barbados have his counterpart in a number of people, and so it will be for all the islands. We should be prepared to send good people, to release top flight business executives and senior investment personnel, who can command the respect of their counterparts. One of the U.S. universities gave assistance to Ethiopia. Invariably an assistant professor arrived in Ethiopia as a full professor, the assumption of course being if you are an assistant professor in the United States you must be good enough to be a full professor in Ethiopia. This is ludicrous, because the top people in Ethiopia are just as good as top people elsewhere. You must make distinction between that kind of aid and the situation where the glaring need is at the intermediate level. In this case intermediate people can be sent, without worrying whether they are the best available. In the developing countries, and the Caribbean is no exception, the gap between the middle supporting groups and the top groups is so great that virtually any qualified person you send could make a positive contribution.

I noticed in the evidence that the question was raised as to what Canada should do about the brain drain from the Caribbean. I do not see that Canada can do anything about it. My own conviction is that the brain drain is more than a brain drain. It is at the moment, in a manner of speaking, a safety valve, certainly so far as Jamaica is concerned, for some of the people who are not satisfied with the political system. A large number of people who are emigrating from Jamaica are opting out of the country.

In small communities politics tend to be highly intense, perhaps too intense. My great concern in small communities—and this is why in a sense outside people can play a

positive role—is that there is no middle position. Even in my own academic research in the Caribbean I find my position difficult. If I go down to Jamaica, for instance, and say I want to do some research and am committed to no one government or one party, people are anxious for you to declare yourself, whether you are for or against them. I think in a sense this is unfortunate, that politics has intruded in all areas, certainly in Jamaica.

Therefore, I am convinced that the brain drain is in a sense people opting out of the system. Whether this is a good or bad thing is a matter of judgment.

To come back to the question, I would say that at the intermediate level of technical assistance I believe Canada can make a significant impact more so in the private sector. There is a tremendous dearth of middle management groups. Part of it is a reflection of the bias against technical education, which you heard about, and this will be a very difficult problem.

When I was in the Somali Republic with other members of a team—a Canadian, an Englishman and myself—we thought this was a golden opportunity, that we would rewrite the civil service act, that we would completely restructure the entire civil service, because this was our job. It was to be one of those rare opportunities in which an expatriate could rewrite an entire structure. Our starting point was that we would make the technical services equal to the administrative services; the top engineer would get the same as the equivalent deputy minister in the administrative sector. We wrote this into the entire civil service establishment. Despite our efforts, I hate to have to confess that we lost that battle. They could not conceive of a technical man enjoying the same remuneration as an administrative officer. It was the old traditional orientation. Therefore, this will be a very slow thing.

In the field of education I think you can make a positive contribution. I think in private investment there is increasing scope in the Caribbean. If, however, you want to have all the guarantees of security and eliminate all the risk element, then those countries may as well look to state investment rather than to private enterprise. All you need really is a modest assurance of repatriation of dividends, work permits for those expatriates who must get in because of the necessity to protect your investment, the assurance that there will not be discriminatory fiscal and monetary policies

if you are registered as local companies, and so on. These are reasonable assurances. Beyond that I do not see why the private sector should want more than an opportunity to use the advantage of managerial and technical know-how to exploit possibilities.

In the sphere of governmental aid, I think there has to be untying of Canadian aid to a much greater extent. As you have heard, shipping costs are not included in the aid package, and this can be a substantial item of cost for the host country. For instance, I happen to know that assistance given in the past by Canada for housing, which is one of the really critical areas in the Caribbean, has been a dismal failure because by the time Canadian materials, Canadian services and so on, were paid for, it was no longer low income housing, which is essentially what was wanted. Therefore, in some areas we have to trade off the gains foregone by virtue of untying aid against perhaps a greater impact at the level of the recipient country. That is another area in which I would see some progress being made.

Senator Fergusson: After this excellent summary by Dr. Eaton of his idea as to what Canada might do, my question may not seem very appropriate because it concerns only one small island. As I said when I spoke before, my questions are really limited to Antigua, although they certainly apply to other islands. I want to ask you about a desalination plant that I saw started down there which going to provide 8.2 million gallons of water and also a lot of electricity. Even after listening to what you have said about sugar and the cost of sugar—and I think I understood what you were saying—I would point out that Antigua is not producing any sugar at all, and one reason that I was given was that it would not grow there. I am wondering whether these desalination plants are going to produce enough water so that if they so desired they could produce sugar. I am also wondering whether there have been other successful desalination plants built in other Caribbean islands.

Dr. Eaton: Quite frankly, I am not aware of any other development outside of Antigua. Water was a problem in Antigua. My own view is that having gone out of sugar they should not get back into it. There are other activities for Antigua to engage in. They used to produce cotton commercially, and the fishing industry has a tremendous potential there. Antigua has, for instance, excellent lobsters.

I would see the issue not being so much one of water but of marketing, which we did not get into and which seemed to be a matter of some concern to you. Here I share the view that many of you have, that this is in many respects a problem which the Caribbean countries must solve themselves. My own view—and here I am going to be a little heretical—is that the problem of agricultural diversification in the Caribbean Commonwealth countries tends not to be a problem of economics so much as a problem of politics. Every political system, as you know, needs some type of reward for part adherents, otherwise it will not function. What has happened in Jamaica, for instance, is that all of these marketing boards and, in fact, all public bodies, have developed closer to the American pattern, and with each change of government there is a complete change of personnel. Not only that, but in all the marketing agencies, such as those concerned with citrus fruits and bananas, and so on, the fact of the matter is that economies of scale are produced and utilized by people who have a certain scale of operation, but then we operate on the premise of a one-man vote. The citrus growers have the one-man vote, and they make the decisions, and this means, therefore, that the large producers are effectively hamstrung. That is why I say it is largely a matter of politics rather than economics.

We have gone through the same thing in so many other activities. After the war we spent thousands of pounds cutting up land to give, first of all, to the veterans who had all come from the cities and who knew nothing about crops. Subsequently we had to spend increasingly large sums of money and intimidate people, democratically of course, to force integration of smaller units into larger units.

We now hear the same suggestion in respect of sugar—that we should fragment the sugar estates into 60-acre farms. At the same time the exponents of this policy have not produced concomitant proposals for reconstructing the educational system so as to produce a type of scientific farmer. So one wonders what would happen if one accepted the premise. If sugar estates were to be dismantled, what would happen to economies of scale?

On the problem of marketing, therefore, is one which the West Indian communities must resolve by themselves. It is a conflict between politics and the party system and realities of

the scale of operation and economics. This is what I see essentially as the problem in most of the areas.

Senator Carter: Mr. Chairman, I wonder if I could make a suggestion. Dr. Eaton has given us a lot of valuable information but he has not covered a lot he would have put in a brief if he had had time to prepare one. I wonder, if at some later date, he could present the committee with a small brief covering the topics which we did not touch on today.

The Vice-Chairman: I had another suggestion in mind, Senator Carter. In thanking Dr. Eaton I was going to suggest that the committee might wish to have him back again some time in the not too distant future.

Senator Carter: That would perhaps be better.

The Vice-Chairman: I understand he will be in Ottawa during the next month or so and with your permission I will pass on the suggestion to Dr. Eaton and to our officials.

I am sure that we have had a very stimulating discussion around the points raised by Dr. Eaton. I think we have all been aware of the fact that in this committee we have so far concentrated rather on the Canadian view of Canadian-Caribbean relations. I know it has been part of the Chairman's plan to start with Dr. Eaton and to concentrate in the future on hearing from Caribbeaners. Although I understand Dr. Eaton is now a Canadian I am sure we need him and I am sure that the Caribbean needs him. I do not know how he is going to divide his time and talents, but I am sure he will be able to do that to the satisfaction of both countries, even if we are not able to work out the sugar agreement to the satisfaction of both countries.

Again, I thank you, Dr. Eaton, on behalf of the committee. It has been most stimulating and productive because we have all felt for some time that we needed your provocative approach to our discussions of Canadian-Caribbean relations.

Dr. Eaton: Thank you very much, Mr. Chairman.

The committee adjourned.



Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 12

TUESDAY, JUNE 9, 1970

TUESDAY, JUNE 16, 1970

Respecting

THE CARIBBEAN AREA

FINAL REPORT OF THE COMMITTEE

Respecting

CANADA—CARIBBEAN RELATIONS

Index of the Committee's Proceedings
during

First and Second Session of Twenty-eighth Parliament
concerning

THE CARIBBEAN AREA

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, Wednesday,
February 18th, 1970.

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Senate Committee on Foreign Affairs have power to sit during adjournments of the Senate.

The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, June 9, 1970.

(13)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met, *in camera*, at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Carter, Eudes, Fergusson, Gouin, Grosart, Laird, Quart, Robichaud and Yuzyk. (10)

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade; and Mr. Bernard Wood, Research Assistant to the Committee.

The following documents were tabled and identified as follows:

- (a) A letter from the Hon. J. W. Pickersgill, President, Canadian Transport Commission; and one from O. G. Stoner, Deputy Minister of Transport—*Exhibit "F"*. (*Note*—a digest of the information contained in these letters was forwarded to Committee members on June 10, 1969)
- (b) A brief summary of the basic guidelines for the operation of Canadian Medical Association assistance to the developing countries of the West Indies—*Exhibit "G"*.
- (c) Submission by the Royal Bank of Canada regarding the "Role of Canadian Banks in the Caribbean Area"—*Exhibit "H"*. (*Note*—this document was forwarded to Committee members on January 22, 1970)
- (d) Paper from Department of Finance respecting "Canada's Tariff Treatment for and Imports from Commonwealth Caribbean Countries"—*Exhibit "I"*
- (e) Tourism—Statistical data respecting Tourist Travel in the Caribbean for 1968, submitted by the Caribbean Travel Association—*Exhibit "J"*.
- (f) An "aide memoire" supplied by Mr. Theodore Sealy, Editor of the Daily Gleaner of Kingston, Jamaica, respecting sugar and related matters—*Exhibit "K"*.

On Motion of Senator Carter,

Resolved: That, notwithstanding the terms of the present agreement with the *Parliamentary Centre for Foreign Affairs and Foreign Trade*, the Standing Senate Committee on Foreign Affairs continue the present agreement to June 30, 1970 and enter into a revised agreement with that Centre for the provision of research assistance and other services; such revised agreement to become effective from July 1, 1970, until the end of the Third Session of the Twenty-eighth Parliament, or at least until June 30, 1971, if the session ends before that date."...

The Committee proceeded to the consideration of a draft of its "Report to the Senate" respecting the Caribbean Area.

At 12.45 p.m. the Committee adjourned until 2.00 p.m. this afternoon.

Afternoon Meeting

(14)

Pursuant to adjournment and notice the Committee resumed (*in camera*) at 2.00 p.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Carter, Eudes, Gouin, Grosart, Laird, Quart and Robichaud. (8)

In attendance: (*Same as at morning meeting*)

The Committee continued its consideration of the "Draft Report".

At 4.30 p.m. the Committee adjourned to the call of the Chairman.

TUESDAY, June 16, 1970.

(15)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met, *in camera*, at 11.15 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Bélisle, Carter, Eudes, Fergusson, Haig, Laird and Yuzyk. (8)

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade; and Mr. Bernard Wood, Research Assistant to the Committee.

The Committee resumed consideration of its "Draft Report" as revised following the meeting of June 9, 1970. The Report was further amended and on motion of Senator Carter,

Resolved: That the said Report be adopted as the Committee's "Report to the Senate" and that the Chairman present the same to the Senate as this Committee's Report on *Canada-Caribbean Relations*.

On Motion of Senator Laird,

Ordered: That the Committee print in booklet form 1500 bilingual copies of its Report to the Senate respecting Canada-Caribbean Relations.

Agreed: That the Committee print, as *Appendix "H"* to these Proceedings, an index of the Committee's printed proceedings, of the past and present session, respecting the Caribbean Area.

At 12.40 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

REPORT OF THE COMMITTEE

TUESDAY, June 23, 1970.

The Standing Senate Committee on Foreign Affairs to which was referred matters concerning the Caribbean Area has, in obedience to the order of reference of October 29, 1969, completed its study and now reports its conclusions and recommendations in the appended document.

Respectfully submitted.

JOHN B. AIRD,
Chairman.

MEMBERSHIP OF COMMITTEE

(As of June 16, 1970)

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	Pearson
Cameron	Hastings	Phillips (<i>Rigaud</i>)
Carter	Laird	Quart
Choquette	Lang	Rattenbury
Connolly (<i>Ottawa West</i>)	Macnaughton	Robichaud
Croll	McElman	Sparrow
Eudes	McLean	Sullivan
Fergusson	Nichol	White
Gouin	O'Leary (<i>Carleton</i>)	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

Notes:

* The Honourable Senators Thorvaldson, Savoie and Davey served on the Committee during the First Session of the 28th Parliament—Senators Savoie and Davey were replaced by Senators Nichol and Connolly (*Ottawa West*), respectively, during the Second Session.

** The Honourable Senator Thorvaldson—deceased August 2, 1969.

ORDERS OF REFERENCE

First Session—28th Parliament (1969)

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

- (i) Treaties and International Agreements.
- (ii) External Trade.
- (iii) Foreign Aid.
- (iv) Defence.
- (v) Immigration.
- (vi) Territorial and Offshore matters.

* * *

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk—(30).

*Ex officio members

* * *

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Wednesday, 18th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting today.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 19th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting on Wednesday next, 25th June, 1969.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Second Session—28th Parliament (1969-70)

Extract from the Minutes of the Proceedings of the Senate, Wednesday, October 29th, 1969:

With leave of the Senate,

The Honourable McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area;

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the Committee.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, October 30, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Gouin:

That the name of the Honourable Senator Nichol be substituted for that of the Honourable Senator Savoie on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, November 18, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the name of the Honourable Senator Connolly (*Ottawa West*) be substituted for that of the Honourable Senator Davey on the list of Senators serving on the Standing Senate Committee on Foreign Affairs.

The question being put on the motion, it was—
Resolved in the affirmative.

* * *

Extract from the Minutes of the Proceedings of the Senate, Wednesday, February 18th, 1970.

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Senate Committee on Foreign Affairs have power to sit during adjournments of the Senate.

The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

REPORT
of the
SENATE COMMITTEE ON FOREIGN AFFAIRS
Respecting
CANADIAN RELATIONS WITH THE CARIBBEAN AREA

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FOREWORD

Under its Terms of Reference of February 4th, 1969, the Committee on Foreign Affairs has undertaken an extensive study of Canadian relations with the Caribbean area.

This Report of the Committee's findings is based closely on the testimony received at the hearings held during the First and Second Sessions of the Twenty-eighth Parliament. The Report should be read in conjunction with the accumulated *Proceedings* of those hearings. The dates of meetings and witnesses heard are listed in *Appendix "A"* of this Report. An Index to these *Proceedings* will be included in issue No. 12 of the Committee's printed *Proceedings* for this session.

The Committee wishes to record here its thanks to its witnesses, and to the many other individuals and organizations whose assistance and co-operation have made a major contribution to this inquiry.

STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

FINAL REPORT ON CANADA-CARIBBEAN RELATIONS

A Summary of Conclusions and Recommendations

In retrospect, it is evident that the 1966 Commonwealth Caribbean-Canada Heads of Government Conference embodied the hope of "partnership in development", three years before the Pearson Commission brought that phrase into general use. In many ways the countries participating in that Conference had a unique opportunity to realize the ideal of partnership, and yet the subsequent experience has been on the whole disappointing.

On many fronts there has been tangible and encouraging progress, but it is unmistakably clear that the full and frank exchange of views essential to real partnership has not been achieved. This general diagnosis leads directly to the Committee's most fundamental overall recommendation. The expectations of 1966 can still be realized and the Canada-Caribbean partnership can function if all concerned now show a readiness to continue the kind of close consultation initiated at that time.

Unquestionably, there are important difficulties and complications involved, but the Committee remains convinced that a policy of close and continuing consultation is not only feasible, but is essential to a concentrated Canadian effort to assist the countries of the area in their development.

General

1. The Senate Committee concludes that Canadian policy toward the Commonwealth Caribbean has lacked consistency. Canada should decide to manifest special concern for the area and such a policy would be valid, valuable and in the best interest of all concerned. There is now an urgent need for a clear determination by the Canadian Government of its future strategy toward the area.

A Policy of
Special
Concern

The Committee recommends that Canadian policy, while placing increased value on relations with all countries of the area, continue to reflect this country's special links with the Commonwealth countries of the region.

- | | |
|--------------------------------|--|
| The Need for Dialogue | 2. A consistent policy of special concern implies a partnership that can only be maintained through continuous consultation and co-operative planning. Paternalism and unilateral decisions and actions must be avoided at all costs. |
| Round-table Discussions | 3. The time has come to resume multilateral discussions at the political level between Canada and the Commonwealth Caribbean countries. This would allow the participants to follow up on the projects undertaken at the 1966 Conference, engage in frank exchanges on current issues, and set directions for the future. The Canadian Government should, therefore, discuss with the Commonwealth Caribbean Governments the re-convening of a conference at either the Heads-of-Government or Ministerial level. |
| Diversity of Area | 4. Canadian policy must recognize and respect the distinct character and diverse aspirations of the countries and territories in the Commonwealth Caribbean. Canadian encouragement of regional co-operation must therefore be undertaken with great care, so as not to infringe upon the sovereignty of self-determination of the countries concerned. |
| Constitutional Links | 5. The possibility of constitutional links between Canada and the countries of the Caribbean area should be re-appraised by the Canadian Government. This prospect now seems remote, but the Canadian Government should be prepared to discuss proposals for closer economic and political association between Canada and countries of the area. |
| Unrest and Hostility | 6. In view of the distinct trends within the area Canada can expect continuing, and even growing criticism and hostility from some sectors of opinion in the Caribbean. Persistent efforts will be required to keep this situation in perspective and forestall excessive reactions on the part of the Canadian public or other damaging effects on good mutual relations. It is important to demonstrate that Canada, while interested in stability in the Caribbean, is not committed to the status quo and recognizes the case for progressive change. |

Canadian Government Machinery

- | | |
|--------------------------------|---|
| A Higher Priority | 1. The Senate Committee has concluded that a consistent policy of special concern will require more sustained attention and improved administrative arrangements by all departments and agencies primarily concerned with Caribbean relations. The development needs of the area must be a constant guiding consideration in the formulation and application of all relevant policies. |
| Co-ordination of Policy | 2. There is urgent need for improved co-ordination of the policies and actions of various departments bearing on Canada-Caribbean relations. One department should be charged with clear responsibility for co- |

ordination. The inter-departmental committee on Canada-Commonwealth Caribbean relations should be given a clear and precise mandate to maintain a continuing overview of current and long-term issues. It must meet regularly and more frequently.

3. There are important advantages to be gained from a re-allocation of responsibilities within individual departments so that relations with the Commonwealth Caribbean countries would be handled on a regional, hemispheric basis rather than under the general Commonwealth jurisdiction. The Committee has been encouraged by the recent re-organization of the Department of Industry, Trade and Commerce to effect this change.

The Hemispheric Framework

4. Effective Canadian representation in the Caribbean area must be given higher priority than it has so far received. Decisions regarding representational services should take account of the important impact of tourism and investment activity on the volume of official business. As soon as budgetary considerations permit, the Canadian Government should establish a mission in Barbados and re-open a mission in the Dominican Republic. Steps should also be taken to improve the arrangements for Canadian representation in the "Little Seven".

Criteria for Representational Services

5. The quality of Canadian representation in the Caribbean area will have a crucial impact on future Canada-Caribbean relations. All departments should therefore up-grade the degree of importance of Caribbean postings, including technical assistance and other short-term appointments, to reflect the challenging and sensitive nature of the tasks.

Staff and Postings

Trade Relations

1. The Senate Committee has concluded that, despite inevitable changes in the traditional pattern of Canada-Caribbean trade, there is scope for beneficial expansion in the two-way flow. A planned programme of multilateral co-operation and action will be required to reverse the present trend which involves a decline in mutual trade relative to both Canadian and Caribbean total trade.

The Level of Trade

2. Any strategy of Canadian assistance for the long-term development of the Caribbean should emphasize Caribbean export potential. The Canadian Government can render much more assistance in overcoming both official and non-official obstacles to increased Canadian imports from the region.

Commonwealth Caribbean Exports to Canada

3. The Canadian Government should suggest the establishment of a joint Canada-Caribbean marketing agency to be funded initially as required by Canada. Such an agency could conduct market surveys, establish distribution contracts, advertize and generally promote com-

Marketing Assistance

plementary two-way trade. This could be a relatively low cost assistance project yielding substantial and lasting results for the Caribbean countries. By selecting promising export products, (examples at this time would include bananas, rum, and certain citrus products), the agency could have a highly beneficial impact.

**Sugar
Exports**

4. Serious misunderstandings have recently arisen, due in part to the manner in which the 1966 tariff-rebate assistance scheme for sugar was withdrawn. Full understanding of this step by the sugar-producing countries involved does not appear to have been established. In future, full consultation, on a political level, should precede any major change in Canadian policies involving Caribbean countries.

The agricultural assistance fund, which replaces the rebate scheme, can be of great benefit if it is managed on a basis of close co-operation. It is important that there be no net loss of benefit to sugar-producing countries.

Canada should take full account of the dilemma of the sugar-producing countries and recognize the difficulties involved in diversification efforts. Buying Caribbean sugar at prices below the cost of production obviously does not engender good will.

**Rum
Exports**

5. The excellent and highly competitive rums of the Commonwealth Caribbean should receive as much assistance as possible in the Canadian market. The 1966 agreement to implement labelling regulations went into effect on July 1st, 1969, but does not appear to have led to any dramatic increase in imports. The Committee recommends that the Canadian Government re-assess the effectiveness of this measure and that the mutual advantages to Canada and the Caribbean countries concerned be discussed at the ministerial level with the respective Canadian provinces.

**Manufactures
and Semi-
manufactures**

6. Increased Canadian investment, under the appropriate conditions, would provide not only capital but much needed managerial and marketing expertise for secondary export industries in the Caribbean. Such export enterprises should be, where possible, labour-intensive and preferably jointly undertaken with local investors. The provision of incentives to such industries should be a main priority of the new Regional Development Bank and the Canadian assistance programme.

**Canadian
Exports**

7. In general Canadian exporters have not kept pace with their competitors in responding to the growing and changing import needs of the Caribbean countries. Most traditional exports (except wheat and flour) have remained fairly constant but much more concerted effort

will be required to maintain a balanced Canadian share of the overall Caribbean market.

8. The export-insurance and export-financing operations of the Export Development Corporation should have a more important and increasing impact on the present and future flow of competitive Canadian exports to the Caribbean. The 1969 changes should permit expanded and more dynamic activity by the E.D.C. Export Promotion Activities

9. The possibility of a Commonwealth Caribbean-Canada Free Trade Area, which was discussed at the 1966 Conference, has now been studied in a report commissioned by the Canadian Government. The report, while inconclusive in some aspects, indicates a limited potential for such a scheme. If Commonwealth Caribbean governments express interest in further exploration of this subject, the report will form a useful basis for discussion. A Free Trade Area with Canada

Development Assistance

1. The Senate Committee notes that the Commonwealth Caribbean is currently the area of highest per capita allocation of Canadian development assistance funds—an important recognition of the region's "special status" in Canadian external policy. Caribbean Priority

The Canadian Government should continue the present intensive concentration of C.I.D.A. funds in the Commonwealth Caribbean. There is also great scope for new forms of assistance appropriate to the present needs of the region.

2. All Canadian assistance policies should be based on a recognition of the predominance of self-generated resources in development efforts. Canada's supporting role can be made much more effective by co-ordination and harmonization of Government policies in several departments which can vitally affect development prospects. Self-help and Co-ordination

3. The present C.I.D.A. policy of special concentration in the smaller islands of the Eastern Caribbean is well-founded. The five-year planning principle in this programme is also a step in the right direction, but the Committee is concerned about too great a reliance on the development of tourism. The programme should remain flexible, and C.I.D.A. should respond favourably to requests for increased assistance to the agricultural sector. Programme in Eastern Caribbean

**Encourage-
ment of
Caribbean
Co-operation**

4. The Committee recommends continuing support of projects and programmes leading to regional co-operation and integration. The present assistance to the University of the West Indies and the Regional Development Bank is highly effective for this purpose. All co-operative projects must proceed, however, at the pace agreed upon by the governments of the area and no regional institution should become too dependent on outside support.

**General
Assistance
Policies**

5. The Senate Committee recommends the following changes in Canadian assistance policies to increase the effectiveness of the aid and improve the climate of Canada-Caribbean relations:

(a) "Programme" assistance—Direct financial support of the development programmes of the Caribbean countries in order to eliminate a number of inefficiencies and frustrations, and as an important and effective demonstration of confidence and partnership by Canada.

(b) "Tying" of aid—A continued policy of "untying" aid which is in the best long-term interests of all concerned and would be greatly welcomed by the Caribbean governments.

C.I.D.A. should also explore the possibility for permitting "tied" aid funds to be utilized for procurement in other developing countries. Within the Caribbean region this could have an important impact on industrial development and economic integration.

(c) Local Costs—Further liberalization of the Canadian policy on the payment of "local costs" to take account of "indirect foreign exchange costs" (e.g., the cost of imported components), and to exclude shipping costs from the "local" component.

**Future
Assistance
Planning**

6. Future Canadian assistance should concentrate more on direct development of appropriate export sectors of the Caribbean economies. The marketing agency proposed in section 3 of "Trade Relations" above, could be a highly effective vehicle for such assistance. At the same time, Canada's technical assistance in the area should increasingly stress business and public administration, with flexible schemes for relevant extension work and on-the-job training.

**A "Canadian
Overseas
Development
Corporation"**

7. A "Canadian Overseas Development Corporation" might be able to play an important part in stimulating local activity in the private sector in the Caribbean, complementing Canada's present bilateral assistance and the work of the Regional Development Bank. The possible establishment of such a corporation merits further study by the Canadian Government.

8. The Report's sections on "Tourism", "Immigration", "Private Investment", and "The Work of Voluntary Agencies" contain specific recommendations for assistance measures in those fields.

Other
Assistance
Policies

Private Investment

1. The Senate Committee is convinced that Canadian private investment has contributed substantially to Caribbean development. It has been encouraged by the governments of the area and welcomed by the vast majority of their people. As in Canada, however, there have been basic changes in the conditions under which outside investment is expected to operate. There is an urgent need for increased awareness of these changing conditions if Canadian investment is to continue to play a useful role in Caribbean development and to have a beneficial effect on Canada-Caribbean relations.

Place in
Canada-
Caribbean
Relations

2. The Canadian Government should give vigorous encouragement to Canadian investors who are sensitive to the needs and conditions of the area.

Canadian
Government
Co-operation

The new investment-insurance operation of the Export Development Corporation should help to increase productive investment and can serve to encourage appropriate corporate policies. The Corporation's advocacy of joint ventures with local investors is an example of the kind of progressive action required.

Within C.I.D.A., the Committee recommends that the Business and Industry Division assume an expanding role as a "clearing house" for information on investment opportunities in developing countries. C.I.D.A.'s work in infrastructural and pre-investment assistance provides vital "seed money" for activity in the private sector. Canada should continue to provide this kind of help, which is likely to be increasingly requested by Caribbean governments.

3. Because of the intrinsic involvement of Canada's national interests and reputation, the Committee believes that Canadian Government policy should take full account of the location and extent of Canadian private investment in the Caribbean. The Committee has been surprised to learn as a result of exhaustive research that some information on Canadian private investment is collected and collated by the Dominion Bureau of Statistics, but that the existence of even this material is not apparently known within the policy-making departments. This data is essential to an overview of Canadian involvement, and to the accurate

Information
on Private
Investment

planning of official development assistance and representational services. Personnel within these departments should be made aware of this information and should have access to it when required.

**Local
Participation**

4. It is vital that Canadian investors recognize and accept the growing local interest in ownership of Caribbean resources and industry. With regard to existing investment, some Canadian firms have initiated the policy of local sales of shares with very encouraging results. Share-purchase plans for employees will be a very useful vehicle in this endeavour.

In future investments, demand for larger local participation can be expected and there will be increasing emphasis on joint ventures and management contracts. If Canadian investors can adapt satisfactorily to these new conditions, they will continue to operate profitably and make an even more useful contribution to the Caribbean economies.

**Extending
the Benefits
of Resources**

5. The countries of the area are firmly committed to phasing out their current level of dependence on raw materials production and gaining a greater share of the economic benefits from the end-products of Caribbean resources. The primary Canadian involvement in a resource industry is in bauxite and alumina. While the Canadian company's record is considered relatively good, growing local pressure can be expected for increased processing of the materials within the area.

**Financial
Institutions**

6. The other main sector of Canadian corporate activity, financial institutions, is an intrinsically sensitive one. It will be increasingly important for these firms to continue policies of encouraging local equity participation and developing local personnel resources. They will also be required to meet growing demands that their operations be closely geared to the development needs of the Caribbean communities.

**Economic
"Spillovers"**

7. All Canadian investors in the Caribbean must become increasingly conscious of the need to stimulate ancillary economic activity by maximizing local purchases of goods and services. There is a pressing need for more local benefits from the tourist industry and manufacturing enterprises.

**Personnel
Policies**

8. All companies operating in the Caribbean should recognize the need to recruit locally for staff positions at all levels. Canadian com-

panies should not only adhere to the requirements of local governments, but can greatly increase the effectiveness of their operations by energetically recruiting local personnel, particularly for managerial and supervisory positions. The practice of recruiting Commonwealth Caribbean students and other expatriates in Canada is an excellent one which should be expanded.

The Work of Voluntary Agencies

1. The Senate Committee considers that the “matching grants” provided to voluntary agencies, through C.I.D.A.’s Special Programs Division, have been a very effective use of official development assistance funds in the Caribbean. The programme should be expanded further and, in certain circumstances, C.I.D.A. could legitimately contribute an even larger proportion of project costs.

Canadian
Government
Assistance

Immigration

1. The Senate Committee has noted the large increases in Caribbean immigration and has been encouraged by the fact that recent changes in Canadian immigration policy have removed former sources of friction.

Immigration
and Canada-
Caribbean
Relations

2. The seasonal movement of farm workers to Canada since 1967 has been very useful in providing short-term employment to several thousand workers from Commonwealth Caribbean countries. The arrangement appears to have been satisfactory to all concerned, and further growth in this and similar plans should be encouraged.

Agricultural
Workers’
Plan

3. The question of the “brain drain” from the Caribbean, which is recognized as one of the area’s main problems, has been one of the major concerns of the Committee. While it has concluded that the main responsibility for alleviating this problem must remain with the home countries of skilled immigrants, the Committee strongly recommends that the Canadian Government co-operate in all such efforts.

Immigration
and the
“Brain
Drain”

4. The initiatives being taken by C.I.D.A. to reduce the immigration of Caribbean students brought to Canadian institutions are very useful. By providing scholarships for study at the University of the West Indies, particularly at the undergraduate level, equally effective help is provided at lower cost, without inducing emigration. The Committee was encouraged by the improvement in the proportion of Caribbean students returning to work in their home countries. The recruiting programmes of companies active in the area help to bring back students and other expatriates, and the Committee recommends that the Department of Manpower and Immigration offer all possible assistance with this recruiting.

Educational
Assistance

Tourism

Social and Economic Effects

1. While recognizing the crucial importance of the tourist industry to many Caribbean countries, the Senate Committee has become concerned about the overall impact of tourism on those countries and on Canada-Caribbean relations in general.

Evidence given before the Committee indicated that tourism has had a number of undesirable social side-effects without necessarily bringing all the expected economic benefits. The Committee recognizes that the responsibility for solving these problems rests primarily with the local governments, but has several specific proposals to make.

Economic Side Benefits

2. If the tourist industry is to have any broad and lasting impact, many more of its material requirements, from consumables to construction materials, must be procured locally, rather than imported (as is now the general rule). While this will involve mainly local government action in encouraging local production and purchasing and in educating tourists about local products, Canada could assist significantly by directing more of its assistance to production related to tourism, and by adopting co-operative policies in other fields.

Duty-Free Exemption for Canadian Tourists

3. The possibility of enlarged duty-free exemptions for Canadian tourists returning from the Caribbean was discussed at the 1966 Conference. While acknowledging the merit of the Canadian Government's reservations about discriminatory measures of this kind, the Senate Committee considers that it would be desirable to extend especially favourable treatment to developing countries in general. The Committee recommends that special consideration be given to this proposal, which could be of great immediate benefit to developing areas such as the Caribbean.

Transport and Communications

General Progress

1. The Senate Committee has been encouraged by the progress made on a number of issues relating to transport and communications since the 1966 Conference and considers that this sector will continue to be an important focus for Canadian development assistance to the Caribbean.

Canada-Caribbean Transportation

2. The question of direct Canada-Caribbean shipping, a concern of the 1966 Conference, has been examined in some depth by the Committee. Because of its crucial relationship to trade possibilities, the Committee believes that the whole question of direct transportation could be discussed very usefully in new multilateral talks with the Caribbean governments.

While such discussions could deal with the shipping study prepared by the Canadian Government, they should also emphasize the potential for air-freight services. The prospects for all forms of air transportation between Canada and the Caribbean will improve rapidly as innovation proceeds in the field.

I INTRODUCTION

The Committee's decision to embark on a close and full study of Canadian relations with the Caribbean area was based on the belief that the region has a special importance and significance to Canada. As the Caribbean was not one of the areas to be given particular attention in the Government's foreign policy review, the Committee felt that there was need for a separate study of trends in the relationship. Subsequent events have demonstrated that the study was a timely one, with changes of great significance for Canada underway in the region.

The Committee's approach to the inquiry was conceived within the framework of Canada's traditional concern for the area's problems and development prospects. The first phase of the programme was therefore devoted to a number of hearings with expert witnesses on the Caribbean area, who focussed on different aspects of the current situation and future trends in several countries and territories. In the second phase, the Committee concentrated on the policies and operations of the various Departments of the Canadian Government which are involved in Caribbean relations. After this examination of official Canadian policy, the focus moved to private activities, with hearings on the operations of private Canadian firms, and the work of voluntary assistance agencies. In its concluding phase the Committee heard several witnesses who proffered projections of the future relationship with both the Commonwealth and non-Commonwealth areas, and speculated on the future economic framework of Canada-Caribbean relations.

The Committee's inquiry has necessarily been undertaken from a Canadian point of view. While particular efforts have been made to study Caribbean perspectives on the issues involved, for several reasons, the Committee has not solicited the views of Caribbean political leaders or government officials. Similarly, the Committee has not in general felt it appropriate to recommend courses of action to other governments, but their attitudes and policies will obviously have a fundamental bearing on the implementation of any of the Committee's recommendations to Canadian governmental bodies, exporters, investors, etc.

The scope of the inquiry has been very broad. In addition to official relations, the Committee has considered the many important institutional, commercial, and personal connections involved in the overall Canada-Caribbean relationship. The geographic scope has also been inclusive, covering the whole Caribbean region. In practice, the main focus has remained on the Commonwealth Caribbean countries and territories, where Canadian ties have traditionally been strongest. Con-

siderable attention has also been given, however, to Canadian relations with the non-Commonwealth islands and countries bordering on the Caribbean Sea. The Committee has concluded that Canada's special concentration in the Commonwealth countries should continue to prevail. Expanding Canadian involvement is likely and desirable, however, in many of the non-Commonwealth countries, and there will be broadening areas of close co-operation among all the countries of the region.

The Committee's approach has also been long-range; attempting to project present trends and assess the likely future directions of the relationship. The Committee has, therefore, been concerned with the anti-Canadian aspects of the recent disturbances in the region, while viewing them in the perspective of the long-term relationship. This is not to under-estimate the urgent importance of these demonstrations. The Committee believes they are a clear warning that many of the comfortable assumptions of the past are dangerously inappropriate in the current Caribbean context. These disturbances have alerted Canadians generally to rapidly changing conditions with important implications for Canada. To this Committee, they have pointed up the urgent need for an official re-assessment of Canada-Caribbean relations. The hearings upon which this report is based have taken place in an atmosphere of re-thinking and re-appraisal, with expert witnesses giving freely of their insights into many complex dilemmas. As a forum for discussion, the Committee has provided an outlet for widely-differing viewpoints. A strong common theme, however, has been the continuing importance of the Canada-Caribbean link.

II THE CARIBBEAN AREA IN CANADIAN FOREIGN POLICY

The current phase in Canadian relations with the Caribbean area dates from July, 1966, when the Commonwealth Caribbean-Canada Heads of Government Conference was held in Ottawa. This unique and imaginative multilateral Conference was convened for a general review of relations at a time when most of the former British West Indian territories were adjusting to new, post-Federation constitutional patterns.

The painstaking preparation for the Conference enabled the participants to cover a very extensive agenda in an atmosphere of close and cordial consultation. At the conclusion of the meetings a number of dramatic new co-operative measures were announced. Agreement was reached on a Protocol to the 1925 Canada-West Indies Trade Agreement; the Canadian Government announced a long-term commitment to vastly-expanded development assistance; and there were specific agreements on other economic questions, migration, transport and communications, international questions of common interest, and cultural relations. The Canadian Government also made an important proposal regarding sugar imports from the area.

The Conference generated a great deal of mutual good-will and general optimism regarding the future course of Canada-Caribbean relations. The Final Communiqué conveyed this mood in the following words:

During the past three days substantial progress has been made on the process of closer consultation and co-operation among the Commonwealth countries of the Western Hemisphere. This development holds great promise for the future and will bring early practical benefits to all the participants. The Heads of Government participating in the present Conference are determined to continue and strengthen the fruitful collaboration among them which has been begun in Ottawa this week.

In keeping with this statement, it was agreed that the governments represented should re-convene (at a date to be fixed) for a general discussion of relationships and to review progress. A number of other mechanisms were set up "to ensure that effective follow-up action is taken on the matters discussed at this Conference".

The first concern of this Committee has been to ascertain whether or not Canada-Caribbean relations have subsequently developed along the close consultative lines envisaged in 1966. Regrettably, the conclusion is that they have not. The dramatic success of that Conference may have created unwarranted expectations of future results. The fundamental difficulties involved in producing agree-

ment among the different Caribbean countries may have been under-estimated. The capacity for a continuing dialogue may have been taken for granted.

Whatever the reasons, it is now clear that the consultative momentum of 1966 has not been maintained. In the open dispute surrounding Canada's recent decision to terminate the sugar-tariff rebate granted in 1966, it has been evident that Canada-Caribbean communications, rather than being close and continuous, are sometimes quite deficient.

The consultative machinery agreed upon to follow up on the 1966 talks has not operated as consistently or effectively as was hoped. A new Conference has not been called and the Trade and Economic Committee has met only once, in February, 1967. The Canadian Government's interdepartmental committee on Canada-Commonwealth Caribbean relations appears to have functioned only intermittently.

In making these comments, the Committee does recognize that progress has been made on almost all of the specific projects agreed upon at the Conference. A number of the tangible commitments made by Canada in 1966 have been followed up completely—in the area of development assistance, for example, Canada has far exceeded the five-year target announced at the Conference, and the Commonwealth Caribbean receives many times as much Canadian aid, on a per capita basis, as any other area in the world. In many other cases, however, this progress has been slow and fairly minor. Several of the proposed joint projects, furthermore, have proceeded separately or only on the Canadian side.

The Committee believes that Canadian policy toward the area has lacked coherence and consistency, and urgently requires clarification. The Committee is also convinced that, in a framework of close co-operation and consultation, Canada should adhere to a consistent policy of manifesting special concern for the area. Most of the factors supporting such a policy are well known: geographic, linguistic and cultural proximity; historic and current trade connections; extensive two-way movements of individuals; long-standing investment and other non-official involvement. In the Committee's view, most of these factors still have a compelling validity, and the Canadian Government should make a clear determination to adopt a policy of special concern for the region and its development.

In urging a policy of regional concentration and multi-lateral consultation, the Committee is not overlooking the difficulty involved because of the multiplicity of political jurisdictions in the Commonwealth Caribbean area. Canada, like all other outside powers, must respect the individuality of these countries and accept the complications and duplication involved in dealing with them.

One of the stated objectives of Canadian policy in the region is to encourage movements towards integration in the Commonwealth Caribbean. While economic co-operation (and a measure of political union) are possibly the only keys to the long-term viability of the area, historical experience clearly demonstrates that they

must grow up naturally and from within the region itself. Pressure exerted by Canada or any other outside power could easily prove counter-productive. Canadian encouragement should, then, take the form of support for regional institutions and projects established by the area governments themselves.

In this connection, however, it is noteworthy that the 1966 Conference served as a significant stimulus to intra-regional co-operation. In preparing "regional" positions for discussion with Canada, the Commonwealth Caribbean countries made a good deal of progress among themselves on a number of issues. Since that time, there has been substantial advance in several areas of co-operation (e.g. CARIFTA and the Regional Development Bank) and the machinery for intra-regional consultation has been much improved. A new Commonwealth Caribbean-Canada Conference might, as in the past, have a useful impact on co-operative projects within the region.

From the Canadian point of view there are many other arguments for re-convening a high-level multilateral Conference for a general review of relations. The progress made on the 1966 proposals could be discussed, and a number of projects could be either carried further or discontinued. A large number of topical issues present themselves, including the whole planning of many aspects of future Canadian development assistance. Finally, the opportunity for open, round-table communication would be invaluable in dealing with current tensions and in setting future terms of reference for the relationship.

In the Committee's opinion, the Canadian Government should, as a matter of urgent concern, discuss with the Caribbean governments the re-convening of the Heads of Government Conference, or perhaps one or more preliminary meetings at the Ministerial level.

Another consideration is also of the utmost importance. It is now clear that there is an essential imbalance in the Canada-Commonwealth Caribbean relationship. Differences in size and economic power magnify the Canadian impact in these small countries. Racial differences tend to widen the gap. The existing Canadian presence, in terms of investment, trade, tourism and even development assistance, raises Canada to the relative stature of a major power in the area. Regardless of Canadian intentions or policies, this position will automatically give rise to a certain amount of unpopularity and even hostility. Accusations of "neo-colonialism" will continue to be made against Canada. Canadians can no longer expect to find in the area the uncritical and almost unlimited good will of former years.

A Canadian policy of special concern for the area will probably carry the cost of growing criticism and hostility of this kind. Canadians have not been exposed to it in the past, and particular efforts will be needed to keep it in perspective and avert damaging reactions.

Unreasonable apprehensions on the part of West Indians can also be much reduced. Without resorting to invidious comparisons, it can be demonstrated that the Canadian record in the area is a relatively good one. Moreover, a large number

of specific measures recommended in this report could contribute to the improvement of relations on all levels.

In recommending the adoption of a policy of special concern, the Committee considered the possibility of direct political ties between Canada and countries of the Commonwealth Caribbean. This possibility, which has been discussed intermittently for many decades, appears to have been more remote in recent years, particularly as several Commonwealth Caribbean countries have achieved full independence.

In view of the failure of the West Indies Federation, the restoration of a measure of political union within the area itself appears to be a distant prospect. However, it remains a long-term objective for many of the countries, and must be considered in any assessment of future possibilities. In the interim, the constitutional position of the "Little Seven" remains basically unsettled, and current discussion of Canadian political involvement usually relates to these islands. The dependent territories and those in "associated status" with Britain are, to differing extents, gravitating away from their close constitutional ties with that country giving rise to some speculation about new forms of political connection with Canada.

In this matter the Committee is in basic concurrence with the appraisal of the Canadian Government, as expressed to the Committee, that constitutional links are improbable in the foreseeable future. The Caribbean territories concerned are unlikely to be attracted to an inherently lopsided relationship which might be widely felt to have neo-colonial characteristics. There are also certain obvious difficulties on the Canadian side.

The Committee recommends that the Canadian Government adopt a flexible approach to this issue and be prepared to discuss proposals for closer political and economic association between Canada and countries of the Caribbean.

Conclusions and Recommendations (II)

A Policy of Special Concern

1. The Senate Committee concludes that Canadian policy toward the Commonwealth Caribbean has lacked consistency. Canada should decide to manifest special concern for the area and such a policy would be valid, valuable and in the best interests of all concerned. There is now an urgent need for a clear determination by the Canadian Government of its future strategy toward the area.

The Committee recommends that Canadian policy, while placing increased value on relations with all countries of the area, continue to reflect this country's special links with the Commonwealth countries of the region.

The Need for Dialogue

2. A consistent policy of special concern implies a partnership that can only be maintained through continuous consultation and co-operative planning. Paternalism and unilateral decisions and actions must be avoided at all costs.

3. The time has come to resume multilateral discussions at the political level between Canada and the Commonwealth Caribbean countries. This would allow the participants to follow up on the projects undertaken at the 1966 Conference, engage in frank exchanges on current issues, and set directions for the future. The Canadian Government should, therefore, discuss with the Commonwealth Caribbean Governments the re-convening of a conference at either the Heads-of-Government or Ministerial level.

Round-table
Discussions

4. Canadian policy must recognize and respect the distinct character and diverse aspirations of the countries and territories in the Commonwealth Caribbean. Canadian encouragement of regional co-operation must therefore be undertaken with great care, so as not to infringe upon the sovereignty or self-determination of the countries concerned.

Diversity of
Area

5. The possibility of constitutional links between Canada and the countries of the Caribbean area should be re-appraised by the Canadian Government. This prospect now seems remote, but the Canadian Government should be prepared to discuss proposals for closer economic and political association between Canada and countries of the area.

Constitutional
Links

6. In view of distinct trends within the area Canada can expect continuing, and even growing criticism and hostility from some sectors of opinion in the Caribbean. Persistent efforts will be required to keep this situation in perspective and forestall excessive reaction on the part of the Canadian public or other damaging effects on good mutual relations. It is important to demonstrate that Canada, while interested in stability in the Caribbean, is not committed to the *status quo* and recognizes the case for progressive change.

Unrest and
Hostility

III CANADIAN GOVERNMENT MACHINERY

The Committee has concluded that an important source of difficulty in maintaining close consultation with the Caribbean governments is the fact that Caribbean relations appear to be given a relatively low priority within some of the Canadian Government departments concerned, and that there seems to be a lack of co-ordination among them.

The Committee considers that there is a need in all departments concerned, for increased awareness of the developmental implications of government policies in many different fields. Too often, the benefit of development assistance is offset by decisions in other areas of policy which may not at first sight have obvious relevance to Caribbean development or to Canada-Caribbean relations. (An example, which is considered in a later section of this report, is some aspects of Canadian immigration policy.) A concerted Canadian assistance effort will therefore also require improved communication and co-ordination among the various departments involved. The Committee recommends that one department be given clear responsibility for co-ordination of official policies relating to the Caribbean area.

The Inter-Departmental Committee on Canada-Commonwealth Caribbean Relations should be made a more effective mechanism for communication and co-ordination. If it is to be useful in future it must meet more regularly and frequently. In this way it could detect inconsistencies in policy at the early planning stage and recommend needed adjustments. It would also be a very useful forum for the discussion of current and long-term issues in the relationship, allowing the officials concerned to keep abreast of developments and better anticipate the future needs of Canadian policy.

Within individual departments, the Committee believes that relations with the Commonwealth Caribbean would be most effectively dealt with in a regional hemispheric framework rather than under the broad Commonwealth jurisdiction where they are now handled. This re-organization would augment the effectiveness of Canada's new hemispheric policy and would encourage a general approach more relevant to the future direction of relations. While the Commonwealth itself represents an important link in Canadian relations with the Caribbean members, the Committee believes that it should be distinguished from the purely bilateral relationships which will become increasingly important. The Commonwealth grouping is becoming a less cohesive factor in the organization of political relations in this region, and its economic rationale will necessarily diminish as Britain pursues its economic re-orientation toward Europe. At the same time, the Commonwealth Caribbean countries are forging important new ties with their Latin Ameri-

can neighbours and are evaluating the possible merits of economic associations within the hemisphere. This proposed administrative re-organization would, in the Committee's view, encourage a more coherent and increasingly realistic treatment of Canadian policy toward the entire region.

The Committee has learned that a change of this kind was made in a re-organization of the Department of Industry, Trade and Commerce in May of this year, and hopes that this pattern will be followed by the other departments concerned.

Consultation with the Commonwealth Caribbean governments on hemispheric affairs was apparently very productive at the 1966 Conference, and the Committee believes that it should continue to be an important aspect of relations. Here, as in other international arenas and organizations, (e.g. the United Nations and its specialized agencies), Canada and the Caribbean countries will on occasion hold similar viewpoints, and in such cases they can co-operate very effectively. This is especially useful, in the Committee's view, as a bridge of understanding between a developed country and a developing region.

The Committee has given some consideration to the scope of representational services maintained in the area by the Canadian Government. Noting the increasing volume of official business resulting from extensive tourism, investment, trade, development assistance and immigration, the Committee has concluded that the Caribbean area should have a higher priority in any future expansion of representational services than it has so far enjoyed. Effective local missions will have an important role in implementing a Canadian policy of special concern and in dealing with possible sources of friction. The Committee considers that it would be highly desirable, on this basis, to establish a permanent Canadian mission in Barbados, which maintains a High Commission in Ottawa. Special consideration should also be given to the improvement of arrangements for Canadian representation in the "Little Seven".

While the Committee's study did not emphasize Canadian relations with the countries of the non-Commonwealth Caribbean, considerable attention was given to relations with the Dominican Republic and to the Government's decision to close the mission in that country. The Committee has concluded that this step was, on balance, an unfortunate one which illustrates the need for a more sensitive overall strategy toward the region.

The circumstances at the time of the announcement were regrettable—the Dominican Government had just appointed a new ambassador to Canada and the decision was made known to the Dominican public abruptly and with inadequate explanation. The decision to close this mission was inevitably viewed by many Dominicans as a reflection of Canadian priorities unfavourable to their country.

A further factor involves broad questions about Canada's overall strategy of development assistance in the region. Canadian investment in the Dominican Republic has traditionally been substantial, and the mission-closing came only days after the conclusion (following protracted negotiations) of an agreement

between a Canadian company and the Dominican Government on an immense investment project in the nickel industry. This project will be of such dimensions as to involve a major increase in official business, which will be much more difficult to conduct without a resident mission. The Committee believes that if the Canadian Government is going to encourage private investment as a means of assisting development, investment activity must be treated as one of the major criteria in providing representational facilities. The Committee recommends that the Government re-open a mission in the Dominican Republic as soon as budgetary considerations permit.

For many of the same reasons that expanded representation is required in the Caribbean area, the Committee considers that great efforts should be made to ensure that the highest calibre of representation is maintained. Caribbean postings should be recognized by all departments concerned as sensitive and demanding, and their degree of importance should be raised. The Committee considers that the challenges will probably increase in the future. Great care should therefore be taken to ensure that all personnel associated directly or indirectly (e.g. through technical assistance projects) with the Canadian Government possess the professional and personal capabilities required.

Conclusions and Recommendations (III)

- 1. The Senate Committee has concluded that a consistent policy of special concern will require more sustained attention and improved administrative arrangements by all departments and agencies primarily concerned with Caribbean relations. The development needs of the area must be a constant guiding consideration in the formulation and application of all relevant policies. A Higher Priority
- 2. There is urgent need for improved co-ordination of the policies and actions of various departments bearing on Canada-Caribbean relations. One department should be charged with clear responsibility for co-ordination. The inter-departmental committee on Canada-Commonwealth Caribbean relations should be given a clear and precise mandate to maintain a continuing overview of current and long-term issues. It must meet regularly and more frequently. Co-ordination of Policy
- 3. There are important advantages to be gained from a re-allocation of responsibilities within individual departments so that relations with the Commonwealth Caribbean countries would be handled on a regional, hemispheric basis rather than under the general Commonwealth jurisdiction. The Committee has been encouraged by the recent re-organization of the Department of Industry, Trade and Commerce to effect this change. The Hemispheric Framework
- 4. Effective Canadian representation in the Caribbean area must be given higher priority than it has so far received. Decisions regarding representational services should take account of the important impact of tourism and investment activity on the volume of official business. Criteria for Representational Services

As soon as budgetary considerations permit, the Canadian Government should establish a mission in Barbados and re-open a mission in the Dominican Republic. Steps should also be taken to improve the arrangements for Canadian representation in the "Little Seven".

**Staff and
Postings**

5. The quality of Canadian representation in the Caribbean area will have a crucial impact on future Canada-Caribbean relations. All departments should therefore up-grade the degree of importance of Caribbean postings, including technical assistance and other short-term appointments, to reflect the challenging and sensitive nature of the tasks.

IV TRADE RELATIONS

1. *General*

The Committee has been impressed by the changing pattern of trade between Canada and the Caribbean countries. The total volume of trade remains stable and substantial, with the two-way flow amounting to about \$200 million annually, but the historic economic complementarity between the two areas is quickly declining in importance.

Patterns of production and demand are rapidly changing and Canada-Caribbean trade has not kept pace—this trade has diminished in relative importance to both areas. If the present trends continue, the prospect is for further declines in relative, and perhaps even in absolute, terms. The Committee is convinced, however, that under a planned programme of multilateral co-operation and action these trends can be reversed, and Canada-Caribbean trade can be expanded considerably. Such an expansion will require energetic measures to identify new products with export potential and then to market and promote them. On the official level, a large measure of reciprocal co-operation will be required to help open these new lines of mutual trade.

The Committee noted that in recent years the total trade balance has shifted to favour Canadian exports and that 1969 statistics reflect a healthy increase of trade in both directions. (Statistics on country totals and leading commodities are included in Appendix "B" of this report.) The Committee also believes that the deterioration of the terms of trade for Caribbean exports will continue in the future—a factor which must be borne in mind in any discussion of trade relations. The Committee has noted with satisfaction the improvements in world sugar prices brought about by the International Sugar Agreement of 1968.

2. *Caribbean Exports*

a. *General*

The economies of the Caribbean countries are heavily dependent on trade and the growth of their exports will be a critical factor in their future development. The Committee believes therefore that Canada's strategy of development assistance to the region should emphasize the potential for self-generated growth through increased trade.

b. *Marketing Assistance*

The Canadian market is of differing importance to the various Caribbean countries, but it is a significant outlet for all of them. The Committee strongly recommends that the Canadian Government, as part of a policy of special con-

cern for the area, give all possible forms of direct and indirect assistance to Caribbean exports in Canadian markets.

A major innovation, which the Committee believes could be of immense value, would be the establishment of a joint Canada-Caribbean marketing agency. The Committee is convinced that such an agency, which could survey markets, negotiate contracts, assure supplies and generally advertize and promote promising Caribbean exports, could show rapid results in sales of a number of products. There appears to be immediate potential for imports of bananas, rum and citrus products.* The agency could also greatly assist Caribbean exporters of manufactured and semi-manufactured products.

The Committee believes that it would not only be legitimate for the Canadian aid programme to help finance such a marketing agency, but that the programme is incomplete without it. There is a strong likelihood, in the Committee's view, that the relatively low cost of this project could yield very high returns and bring lasting development in the Caribbean. The actual method of financing can be determined by consultation—it could take the form of normal government-to-government aid, direct financing within Canada, or one of several other possibilities. Once such an organization was underway, continued interest by the Canadian authorities would assist its effective operation and could help to ensure against the possibility of unfair competitive practices affecting Caribbean imports.

c. Sugar Imports

The Committee has devoted considerable attention to the question of sugar imports, which form an important, and often controversial, element in Canada's relations with a number of countries in the Caribbean area. The Canadian programme of tariff-rebates, undertaken after the 1966 Conference, was well received by the governments of the area, although it did not compare with the generosity of British and American subsidies and still meant that Canada was buying Commonwealth Caribbean sugar at a price below the cost of production. For these reasons, the exporting countries filled their other commitments first and never took full advantage of the Canadian tariff-rebate quota. The realization of the new International Sugar Agreement in late 1968 resulted in a general price increase beneficial to the Caribbean producers.

The Committee believes that there was probably sound, long-term economic grounds for the recent decision of the Canadian Government to discontinue the rebate scheme and replace it with a direct annual grant of \$5 million to an Agricultural Assistance Fund. It remains, then, to ask why the decision was so bitterly protested by the Caribbean governments and "deprecated" in a resolution passed by the sixth Commonwealth Caribbean Heads of Government Conference in April of this year.

*The situation regarding rum imports is discussed later in this section. Appendix "C" contains some notes on the possibilities of expanded Canadian imports of bananas and citrus products.

The Committee has concluded that this regrettable misunderstanding resulted from a very serious failure in communication between the Canadian and Caribbean governments. The Committee believes that more effective consultation and dialogue could have prevented the dispute and its damaging consequences.

The Caribbean governments felt that they were inadequately consulted on the decision and that the new Fund was no substitute for the rebate scheme. They were also apparently concerned by the lack of clear information about the objectives and possible duration of the Fund. The sugar-producing countries, in particular, were alarmed by the fact that the Fund will be under regional rather than national control and that there was no assurance of continuing benefit to the ailing sugar industry.

The Committee hopes that these problems have been resolved in subsequent discussions and that the new Fund will be managed on a basis of close co-operation. In addition to projects aimed at agricultural diversification, the new Fund should extend substantial assistance directly to the sugar industry, which is in a situation comparable in many respects to that of Canadian wheat producers.

These recent difficulties concerning sugar imports have impressed upon the Committee the need for close and continuing consultation, at the political level, in Canada-Caribbean relations. Sugar itself will probably continue to be a source of friction unless Canada were to provide greatly increased subsidies. A continuing aggravation of this basic problem however is Canada's increasing reliance on South African sugar which still enjoys Commonwealth preferential treatment in the Canadian market. Discontinuance of this preference, while it would probably not be of great material benefit to Caribbean exporters, would certainly remove a particularly volatile irritant to West Indians.

d. Rum Imports

The Canadian tariff on rum has not been the primary obstacle to increased imports of the product from the Caribbean. In the past the main problems have resulted from the purchasing practices of provincial liquor authorities and the inadequacy of labelling regulations on rum from different sources. The Canadian Government, in accordance with commitments made at the 1966 Conference, has pressed for new labelling regulations (brought into effect on July 1st, 1969) and has used its good offices with provincial liquor boards to encourage increased purchases of West Indian rum. The impact on sales is not yet clear, but the Committee believes that the Canadian Government should maintain a continuing interest in this product and re-assess the effectiveness of this measure and other possible forms of assistance. Provincial liquor boards could assist directly by increasing their purchases of Caribbean rum, and the Committee recommends that the situation be discussed at the ministerial level, between Canadian federal and provincial governments.

The Committee is convinced that it would be damaging and regrettable if the West Indian rum exporters continued to lose their share of the Canadian market with their excellent and highly competitive product.

e. Manufactured and Semi-Manufactured Products

Caribbean exports of manufactured and semi-manufactured products to Canada, while they have increased significantly in recent years, have not yet reached major proportions. The Committee believes that the growth of secondary export industry is vital to the future development of the region and therefore hopes for the early realization of a generalized non-reciprocal preference scheme for exports of developing countries which should give a major impetus to production in the Caribbean.

The Committee is also convinced that Canadian firms can play a very useful role in this field by increased investment in export-production in the region. The infusion of technical and managerial expertise and familiarity with Canadian markets may be as important as the capital itself. Such investment should take account of local needs and conditions, seek out joint-venture arrangements, and stress labour-intensive operations with broad economic side-benefits. The Committee believes that export industries meeting these conditions should be vigorously encouraged, and hopes that this will be a priority of the new Regional Development Bank. The Canadian assistance programme might include incentive schemes to supplement the investment insurance plan of the Export Development Corporation.

f. Bauxite and Alumina

There are no obstacles to the flow of Caribbean bauxite and alumina which constitute the main export of the area to Canada. The more pressing question now concerns the distribution of the benefits from this trade. The origin of this industrial relationship is clear in the complementarity of Caribbean and Canadian resources—bauxite ore and cheap hydro-electric power—and it has been of consistent mutual benefit. Increasingly, however, developing countries are sensitive to their dependence on raw materials which are depleting (however gradually in some cases), and they are determined to secure the maximum local benefit from the exploitation of these resources. Continuing instability can probably be expected as reasonable compromises are sought between the two positions. The Canadian-based company has had a very good record in comparison with its competitors in extending its operations into processing, (mainly in Jamaica), and in contributing to economic and community development. The company has also supported the feasibility study of hydro-electric potential in Guyana, which could ultimately lead to the establishment of a local smelter.

There is likely to be growing pressure on all raw-materials industries to direct more of the value-added in finished products into the local economies. Many West Indians tend to subscribe to views like that of one writer who estimated in

1964 that producing territories in the Caribbean in 1964 appeared to realize about 9 cents in local income and government revenue from each dollar's worth of finished aluminum. Resource-based companies in their own self-interest will increasingly have to take account of this pressure to extend their processing operations. The later sections of this Report on Private Investment will have considerable relevance to the trade in bauxite and alumina.

3. *Canadian Exports*

a. *General*

While the absolute level of Canadian exports to the Commonwealth Caribbean has remained roughly constant over the past few years, Canada's share of the growing market has been declining. In large part, this trend is explained by a diminution of the basic complementarity of the two economies and import replacement policies by local governments. At the same time, however, it appears that Canadian exporters have failed to compete successfully for a share of the new and more sophisticated import needs of the region.

If the Canadian government were to adopt a particularly sympathetic and helpful attitude toward a number of West Indian exports, the Caribbean governments would have available various means of giving reciprocal advantages to Canadian exports without necessarily detracting from aggregate efficiency. In several product-categories there have been marked declines in recent years while others have shown significant improvements. Appendix "D" of this Report contains the Committee's comments on specific categories of traditional Canadian exports to the Caribbean.

b. *The Role of Investment in Expanding Exports*

The most dynamic markets in the Caribbean area are for manufactured products of all kinds. While Canada has fairly long-established exports in various lines, many of them are now decreasing in the face of successful import-substitution policies. In general terms, it appears that Canada has not kept pace with other exporters in supplying the increasingly sophisticated manufactured goods now in demand in the area. In these fields Britain, the U.S. and Japan have been very aggressive and successful. A basic difficulty with many Canadian manufactured exports is the relatively high cost of production. It also seems unlikely that many Canadian producers will be willing to adapt their products to West Indian conditions when the market accounts for only a small portion of total output.

In addition to these fundamental obstacles, however, there are two interrelated factors inhibiting the growth of Canadian manufactured exports. Very often it appears that the flow of exports from supplying countries to the Caribbean is closely tied to the amount of industrial investment by nationals of those countries.

The reasons for this relationship are clear: general product- familiarity, established buying patterns, and, in many cases, close corporate relationships.

It appears that this investment-import link is a major cause of Canada's lagging position in the supply of the import requirements of new and rapidly expanding secondary industries. In these sectors American, Japanese and European investors have been much more active, and exports of machinery, parts and materials have been drawn in increasingly from those areas. A substantial increase in new Canadian investment, (the desirability of which must be tested on other grounds) would thus be required to maintain any significant share for Canada in the burgeoning Caribbean market for manufactured exports.

Another factor is the relationship of potentially-exporting Canadian corporations with those of other exporting countries. In many cases either cost differentials or duty-free-import incentives have eliminated the margin once provided by the Commonwealth Preference. Under such circumstances some U.S. corporations, which formerly found it advantageous to supply West Indian imports through Canadian subsidiaries, now apparently find it more efficient to supply these exports from closer (and often more productive) plants in the U.S. Obviously this problem is very difficult to quantify and cannot be viewed in isolation from other, broader questions of foreign ownership and control of Canadian industry. Because of its potential impact on the level of Canada's national economic output, and particularly the levels of exports and exchange-earnings, it is a matter of urgent concern.

c. Official Export Promotion Activities

Since 1945, the flow of Canadian exports has been facilitated by the export credits insurance operations of the Export Credits Insurance Corporation. Since 1961, under section 21A of the Act, the ECIC has been actively engaged as well in export financing, which has proved a useful form of capital assistance to many developing countries, including those in the Caribbean.

In 1969, ECIC was succeeded by the Export Development Corporation which has much broader powers to insure, guarantee and finance. The operations of the EDC will have an important bearing on the future prospects for Canadian exports to the Commonwealth Caribbean, particularly if CIDA proceeds with the policy of "untying" Canadian aid. The Committee hopes that the EDC will be given the resources to meet these needs and to take new initiatives in export promotion. This work could be very effectively complemented by the operations of the joint marketing agency recommended earlier in this report.

4. A Canada-Commonwealth Caribbean Free Trade Area

The long-discussed possibility of a free trade area, which was raised again at the 1966 Conference, has now been studied, from the Canadian point of view,

in a report commissioned by the Canadian Government. This report, which goes into considerable detail, does not venture a definite conclusion as to the desirability of such an arrangement. The main thrust of the findings indicates that: 1) both the Canadian and Caribbean economies would be likely to realize some long-term benefit; 2) initially, and perhaps for an extended period, no full reciprocity would be possible (i.e. the arrangements would have to include an element of Canadian assistance to the West Indies); and 3) there is little probability of such an arrangement being realized before the intra-regional bloc is more firmly established and Caribbean trade relations with other blocs (e.g. EEC, LAFTA, CACM) are clarified. The possibility of a free trade area will also have to be assessed more generally by all concerned in the light of their overall trade and foreign policy priorities.

If Commonwealth Caribbean governments express interest in further exploration of this subject, the Committee believes that the Canadian study would form a useful basis for preliminary discussions. A counterpart analysis, from the Caribbean point of view, would probably be needed, however, before any serious negotiations could begin.

Conclusions and Recommendations (IV)

1. The Senate Committee has concluded that, despite inevitable The Level of Trade changes in the traditional pattern of Canada-Caribbean trade, there is scope for beneficial expansion in the two-way flow. A planned programme of multilateral co-operation and action will be required to reverse the present trend which involves a decline in mutual trade relative to both Canadian and Caribbean total trade.

2. Any strategy of Canadian assistance for the long-term development Commonwealth Caribbean Exports to Canada of the Caribbean should emphasize Caribbean export potential. The Canadian Government can render much more assistance in overcoming both official and non-official obstacles to increased Canadian imports from the region.

3. The Canadian Government should suggest the establishment of a Marketing Assistance joint Canada-Caribbean marketing agency to be funded initially as required by Canada. Such an agency could conduct market surveys, establish distribution contracts, advertize and generally promote complementary two-way trade. This could be a relatively low cost assistance project yielding substantial and lasting results for the Caribbean countries. By selecting promising export products, (examples at this time would include bananas, rum, and certain citrus products), the agency could have a highly beneficial impact.

4. Serious misunderstandings have recently arisen, due in part to the Sugar Exports manner in which the 1966 tariff-rebate assistance scheme for sugar was

withdrawn. Full understanding of this step by the sugar-producing countries involved does not appear to have been established. In future, full consultation, on a political level, should precede any major change in Canadian policies involving Caribbean countries.

The agricultural assistance fund, which replaces the rebate scheme, can be of great benefit if it is managed on a basis of close co-operation. It is important that there be no net loss of benefit to sugar-producing countries.

Canada should take full account of the dilemma of the sugar-producing countries and recognize the difficulties involved in diversification efforts. Buying Caribbean sugar at prices below the cost of production obviously does not engender good will.

Rum Exports 5. The excellent and highly competitive rums of the Commonwealth Caribbean should receive as much assistance as possible in the Canadian market. The 1966 agreement to implement labelling regulations went into effect on July 1st, 1969, but does not appear to have led to any dramatic increase in imports. The Committee recommends that the Canadian Government re-assess the effectiveness of this measure and that the mutual advantages to Canada and the Caribbean countries concerned be discussed at the ministerial level with the respective Canadian provinces.

Manufactures and Semi-manufactures 6. Increased Canadian investment, under the appropriate conditions, would provide not only capital but much needed managerial and marketing expertise for secondary export industries in the Caribbean. Such export enterprises should be, where possible, labour-intensive and preferably jointly undertaken with local investors. The provision of incentives to such industries should be a main priority of the new Regional Development Bank and the Canadian assistance programme.

Canadian Exports 7. In general Canadian exporters have not kept pace with their competitors in responding to the growing and changing import needs of the Caribbean countries. Most traditional exports (except wheat and flour) have remained fairly constant but much more concerted effort will be required to maintain a balanced Canadian share of the overall Caribbean market.

Export Promotion Activities 8. The export-insurance and export-financing operations of the Export Development Corporation should have a more important and increasing impact on the present and future flow of competitive Cana-

dian exports to the Caribbean. The 1969 changes should permit expanded and more dynamic activity by the E.D.C.

9. The possibility of a Commonwealth Caribbean-Canada Free Trade Area, which was discussed at the 1966 Conference, has now been studied in a report commissioned by the Canadian Government. The report, while inconclusive in some aspects, indicates a limited potential for such a scheme. If Commonwealth Caribbean governments express interest in further exploration of this subject, the report will form a useful basis for discussion.

A Free Trade
Area with
Canada

V DEVELOPMENT ASSISTANCE

1. *General*

Development assistance, in its broadest sense, has been the dominant theme in the Committee's discussions of Canada-Caribbean relations. Given the commitment of the Canadian people and successive Governments to the task of international development, the Committee believes that the Caribbean presents a unique opportunity for concentrated effort with a high probability of worthwhile results.

The factors which make the Caribbean a promising area for concentrated Canadian assistance have been discussed in previous sections of this Report. Clearly, they have also been recognized by the Canadian Government. While such statistics can be slightly misleading, the per-capita figures on CIDA allocations to various areas reveal a unique emphasis on the Commonwealth Caribbean.

The same factors which favour such intensive focussing of aid allocations—limited size, a rising level of development, proximity, and familiarity—also permit broader types of development assistance and the use of new techniques and approaches. Increasingly, in the course of this inquiry, it has become apparent to this Committee that the kind of help needed by the Caribbean countries extends beyond the traditional, narrow definition of "aid" activities.

The Committee is convinced that development assistance is an activity which has important and integral ramifications in the operations of all government departments concerned with the area. It is a frequent and bitter complaint of recipient countries that donor-governments are inconsistent, extending assistance on one hand and at the same time frustrating development efforts through other areas of government policy.

One of the Committee's main conclusions is that much can and should be done to harmonize and co-ordinate government policies toward developing areas like the Commonwealth Caribbean. The need is probably particularly acute in the case of the Commonwealth Caribbean owing to the extent and relative importance of the Canadian involvement and perhaps also to the great diversity of the region itself. Because of the special need and the special potential, the Committee has proposed a number of new forms of development assistance to the Caribbean. In many cases, the Committee believes, these measures could greatly augment development prospects, often at relatively low cost.

The Committee recognizes that co-ordination of the policies of the many departments and agencies involved in external relationships is an intrinsically complex and difficult task. This is particularly the case in the Canadian Government where the Canadian International Development Agency, which has responsibility for initiating and executing assistance programmes, does not enjoy departmental status and therefore has limited co-ordinating authority. Under the present structure, the Committee believes that there is an urgent need for one Department,

probably the Department of External Affairs, to be given firm co-ordinating responsibility for Canada-Caribbean relations.

It would also be important for all Departments involved to adopt a developmental perspective as a governing consideration in the conduct of those relations. The interdepartmental Committee on Canada-Commonwealth Caribbean relations should be directed on a continuing basis to apply this criterion to relevant policies of all departments concerned, detecting possible inconsistencies and pointing out possible supporting measures in the planning stage.

2. Levels and Directions of Assistance

Mention of per-capita aid levels had indicated the high priority placed on the Commonwealth Caribbean in CIDA allocations. Even in absolute terms, at more than twenty-four million dollars per annum, the area is a very substantial recipient of Canada's aid expenditures. The rate of growth is illustrated by the fact that in the 1958-60 period the total Canadian assistance to the area amounted to \$261,-100.00.

The Committee has noted that Canadian assistance for the first four years after 1966 has already (at \$76.6 million) surpassed the five-year target of \$75 million announced at the 1966 Ottawa Conference. Canadian allocations have now grown to the point where this country provides 60% of the total per capita aid receipts in Guyana; 54% in Jamaica; 54% in Barbados, the Little Seven and British Honduras; and 30% in Trinidad and Tobago. Even among other areas of aid concentration, there is no region where the relative strength of the Canadian aid presence is even distantly comparable.

The Committee recognizes, of course, that external assistance forms only a small fraction of the total resources being harnessed by these countries for their development, with the vast majority being generated by internal efforts and sacrifices. The Committee believes, however, that Canada's present assistance role is of great importance and should be continued at its present general level.

The Committee believes that the spectacular expansion of Canadian assistance to the Caribbean over the past few years had led to a number of serious problems which should now be given concerted attention by the Canadian Government.

Because of the rapidity and extent of the programme's growth, the aid volume (at least under existing terms and conditions) appears to have reached the present limit of administrative and absorptive capacity. At the Canadian end, CIDA's facilities for evaluating, approving and administering Caribbean projects have probably been strained by the Plan's expansion. The resources of the Caribbean governments have been similarly stretched in selecting projects to fit the Canadian terms and conditions and finding the additional funds to finance the local costs of such projects.

A possible indication of over-extension in the Caribbean assistance programme is the rate at which the funds allocated have been disbursed. The Committee recognizes that a certain time-lag in disbursement is normal and that there have been general delays because of CIDA's rapid expansion and re-organization in the

past few years. It is also aware that there has been steady improvement in the rate of disbursement and that the back-log is now constantly decreasing. However, the Committee considers it significant that the statistics for the fiscal year 1968-69 show that the Commonwealth Caribbean Assistance Plan had the lowest ratio of disbursements to expenditures among all CIDA's bilateral area programmes. Out of an allocation of \$22,110,000.00 the actual expenditure was only \$9,103,160.00. While the gap appears to be lower for the current year, it will still be quite substantial. The Committee believes that a number of policy changes by CIDA (which are proposed later in this section) would enable the Caribbean countries effectively to absorb larger amounts of assistance in the future.

The Committee has concluded that there are further grounds for caution because of the role of the development assistance programme in overall Canada-Caribbean relations. The growth of the aid plan has contributed to a rapidly expanding Canadian presence in the region. This, in turn, appears to have raised apprehensions, outside official circles, about the nature of Canada's interests and motives. In some quarters Canada has been accused of paternalism and neo-colonialism. Canadian policy should take into account the danger that local distrust and animosity could seriously jeopardize the value of development efforts undertaken by Canada.

Another real danger is that the activities and pronouncements of anti-Canadian groups in the Caribbean countries could give rise to a mood of resentment in Canadian public opinion leading to pressure for a reduction in assistance and involvement.

The Committee has concluded, however, that there are valid grounds for maintaining the present aid concentration in the region. Furthermore, many of the new assistance activities proposed in this Report would involve a re-direction of funds which should lead to more flexible and effective use of the total expenditure.

3. Intra-regional concentration

In recent years there has been a strong trend of concentration of Canadian assistance in the smaller islands of the Eastern Caribbean. The Little Seven islands have lower per-capita incomes than the larger countries and generally have very little industrial development. At the same time, their governments and peoples are very interested in cooperation with Canada and Canadian assistance to date has had tangible and very worthwhile results.

Per-capita aid statistics illustrate CIDA's particular emphasis on Barbados, the Little Seven and British Honduras, which together received \$8.80 (U.S.) per capita in Canadian assistance in 1969-70 compared to \$6.30 for Guyana, \$4.89 in Trinidad and Tobago, and \$2.64 in Jamaica. (The next most intensive concentration in the world-wide CIDA programme, was in Ghana, which received \$0.84 per capita).

Canada can provide assistance which is especially appropriate to the needs of these areas and there appear to be excellent prospects for continued effective cooperation. The Committee is, therefore, in full support of maintaining the

special aid emphasis in the Little Seven, Barbados and British Honduras. A later section of this report will contain a number of observations on the planning of the programmes in these areas.

4. Support of Caribbean Integration

Early in this report the Committee recommended Canadian support for regional integration projects in the Caribbean, but cautioned that they can only progress at the pace agreed upon by the area governments themselves.

The Committee endorses Canada's policy of providing separate support to the University of the West Indies, an institution, with a highly impressive record which continues to serve the whole area. The Canadian role in supporting the Regional Development Bank is also a very useful and important one. The Bank should serve to harmonize and co-ordinate regional development and thus effectively promote eventual economic integration. Inevitably, however, frictions will develop in the Bank's operations. It is therefore important that the institution not become, or even appear to become, overly dependent on outside resources and thus jeopardize its base of concerted local support.

5. General Types of Assistance

The nature of Canadian assistance to the larger and more developed countries seems generally well-suited to their requirements at their present level of development. The only aspect of the present programme on which the Committee wishes to make specific comments here is educational assistance. In addition to its contributions to the University of the West Indies, CIDA has concentrated on the provision of technical and vocational school equipment and buildings and teacher and student exchanges (with particular attention to teacher-training).

Education, particularly in technical and commercial fields, continues to be one of the region's main problem areas. The shortage of teachers, aggravated by emigration to countries like Canada, is a persistent problem. The stress on teacher-training in the Canadian programme, with particular attention to the staffing needs of new technical and vocational schools, is thus helping to fill an important gap.

The Committee has been concerned by the relationship between educational assistance and the "brain-drain" from the area. In this connection, the Minister of Manpower and Immigration indicated that a very high proportion of students brought to Canada from developing countries are now returning to work in their home countries. The Committee was also heartened by the measures now being used by CIDA to avoid aggravating the "brain-drain". The initiation of in-area scholarships; general encouragement of third-country training; and the granting of exchange scholarships only in fields not offered at the University of the West Indies—all of these are valuable methods of alleviating one of the area's most serious concerns.

A field in which further Canadian technical assistance appears to be urgently required is the whole area of administration, particularly business administration. Through CIDA auspices, the Committee understands, cooperative arrangements have now been worked out between Canadian universities and the responsible faculties of the University of the West Indies in Trinidad and Jamaica. The specific requirements of the region should be taken into account in such programmes, which will have to be flexible, possibly stressing extension work and on-the-job training for middle-level personnel, especially in the areas of marketing and entrepreneurship.

These fields are only partially amenable to academic approaches, however, and recommendations elsewhere in this section point out other possible methods of assistance.

6. Development Strategy in the Eastern Caribbean

The Canadian programme of development assistance to the Little Seven is part of a five year plan (1967-68 to 1971-72) based on the broad sectoral priorities derived from the findings of the Tripartite Economic Survey of the Little Eight in 1966. The Tripartite Survey concluded that tourism is the likely key growth industry in these islands and recommended that official development assistance focus on the provision of infrastructure for private investment in tourism. This is the basic rationale for CIDA's present concentration in the sectors of air transport, water resources, and education, with lesser emphasis on agriculture.

This report's section on Tourism outlines some of the reservations of the Committee about the social and economic desirability of tourist-based development. It should immediately be added that the Committee recognizes the major differences in this respect among the different islands—some can absorb a great deal of further expansion without serious problems. In general, however, the Committee is concerned that too great a reliance on the tourist industry may not promote the consistent development of these islands and the welfare of their people.

These comments do not imply criticism of the whole of the present programme. This kind of infrastructural aid is basic to all development and is generally beneficial. At the same time there appears to be growing a consensus of opinion among economic analysts who argue that expansion in the agricultural sector is feasible for most of these islands, offers them a more solid economic base, and would, at the very least, enable them to supply tourist needs and thus retain a larger proportion of tourist expenditure.

The Committee recognizes the intrinsic value of a five-year plan such as that designed for the Eastern Caribbean. A certain amount of flexibility is, however, essential to allow for changing priorities. In the view of the Committee, therefore, the Canadian Government should be sympathetically receptive to requests from

Eastern Caribbean governments for different types of assistance, and particularly for expanded aid to the agricultural sector.

7. Other Policies

It is well-known that a number of general assistance policies of donor countries have been bitterly resented by recipients and have been repudiated by international organizations and commissions of enquiry. In the Canadian assistance programme to the Commonwealth Caribbean there are three main areas in which policy changes would bring about considerably improved relations and more effective development assistance.

a. Programme Assistance

Early in this inquiry, an eminent witness from the Caribbean area strongly recommended that Canada experiment with more "programme" assistance in its allocations to the Caribbean countries. In this context the term "programme" assistance means general, long-term financial support of the recipient government's development plan rather than aid specifically tied to designated sectors or projects. It was argued that this policy would result in a "technical improvement" of the aid effort by eliminating costly and time-consuming paperwork and supervision at both donor and recipient ends.

In addition to the technical considerations, the Committee believes that this suggestion has a very important political and psychological dimension. For reasons of self-respect and independence there is a strong desire on the part of West Indians to decide for themselves which projects should receive assistance and the manner in which it should be applied.

The Committee does not believe that this proposal is necessarily incompatible with the responsibility of the Canadian Government to ensure that assistance funds are efficiently utilized. The extension of programme assistance would be a major gesture of Canadian confidence in the planning and administrative capabilities of these countries. CIDA could offer supplementary advisory and administrative support which would almost certainly be gratefully accepted when required. The responsibility of the Canadian Government to its taxpayers could be well discharged by overall reviews toward the conclusion of the "programme" period (probably five years at a time).

The Committee urges that the Government discuss the possibility of extending some "programme" assistance with the Caribbean governments and respond generously to interest on their part. This is not advanced as a rigid global policy, but as a flexible assistance strategy of the kind proposed by the Pearson Commission:

Aid-givers should adapt the forms of aid to the needs and level of development of the receiving country and recognize the great value, in many cases, of more program aid.

The Committee is aware of possible difficulties in reconciling this recommendation with the tying policy maintained by Canada. These problems are not insuperable, however, and the following section will include a number of specific suggestions for helping to overcome them.

b. The "Tying" of Aid

Despite the reduction of the Canadian-content-requirement in the development assistance programme from 80% to 66⅔%, the tying policy is still a subject of heated criticism and is used by some critics to call into question both the motivations for Canadian assistance and its effectiveness.

Undoubtedly the tying of Canadian aid has substantially reduced the effective impact of the resources involved. It requires increased delays and administrative expenditure at both donor and recipient ends; results in a distortion of development priorities in project-design and selection; and sometimes involves the purchasing of inferior and/or over-priced goods and services. These considerations were among those behind the Pearson Commission's proposal of a scheme for the total elimination of tying. As the Commission points out, the best prospect for accomplishing this without excessive dislocation lies in concerted multilateral action.

In the meantime, however, the Committee believes that further substantial reductions in the tying requirement are both feasible and desirable. A certain minimum level of tying will probably be necessary for some time, but it can be phased out as other donor-countries ease their tying policies. If the required proportion of Canadian purchases were reduced to a more reasonable level, it would also permit CIDA to negotiate flexible overall purchasing arrangements on allocations of "programme" or sectoral assistance to Caribbean governments. The Committee is convinced that changes of this kind would be received with enthusiasm by the Caribbean countries.

The Committee also recommends that CIDA explore the possibility of changing Canada's tying requirement to allow recipients to use tied aid funds for procurement in other developing countries as well as in Canada. This policy has been adopted by a number of other donor-governments, apparently with excellent results. In the Caribbean region this change could have important additional effects in promoting regional trade and industrial development.

c. Policies on Local Costs

Another widespread donor-practice which is often criticized is the stipulation that aid be used to finance only the foreign-exchange costs of development projects, with all local costs being the responsibility of the recipient government. This often had the effect of putting worthwhile projects beyond the means of recipient countries. In recognition of these problems Canadian policy has now been changed to permit, under certain circumstances, up to 25% of the Canadian contribution to a development project to be used to cover local costs.

Even after this liberalization, the local cost requirement imposes a severe limitation on the capacity of several of the Commonwealth Caribbean governments

to absorb and effectively utilize development assistance. One reason is that the requirement fails to account for "indirect foreign exchange costs", (that is, the cost of imported materials which are used in the provision of support services, e.g. gasoline, vehicles and spare parts, lumber and building tools, etc.). These added costs can be substantial for countries with narrow industrial and resource bases. The other main problem results from the inclusion of the shipping cost of aid materials as a local cost. Since much of the material received by these countries is bulky, the shipping expense alone can sometimes take up a large part of the 25% margin.

The Committee recommends that the Government consider relaxing further the restrictions on the use of the Canadian contribution to cover local costs and adopt the practice of treating shipping costs as a non-local component.

8. *Encouragement of Private Activity*

a. *General*

In recent years, the Canadian Government has shown an increasing interest in the stimulation of non-official activities to complement the work of official international development assistance in promoting economic and social development. These new activities have resulted in the establishment, within CIDA, of a Business and Industry Division and a Special Programs Division, with the latter having responsibility for encouraging and supporting development-oriented projects undertaken by voluntary groups and agencies. As part of the overall review of aid policy, the Government also commissioned a study of ways of increasing Canadian private involvement in developing countries.

The Committee is convinced of the particular value of using official development assistance funds as "seed money" to stimulate perhaps much larger efforts and outlays in the private sector. The Committee believes that the Canadian Government can do a great deal in the "profit-seeking" sector (both Canadian and Caribbean) and in co-operation with voluntary agencies. The latter will be discussed in the separate section on "the Work of Voluntary Agencies".

b. *The "Profit-Seeking" Sector*

i) *Canadian Exports and Investments*

The financing of Canadian exports to developing countries has been undertaken since 1961 by the Export Credits Insurance Corporation which was succeeded in 1969 by the Export Development Corporation. Since the export-development operation is intended primarily as a trade-promotional service to the

Canadian exporter, rather than as development assistance, it is discussed in the section on "Canadian Exports".

The new facility of the Export Development Corporation is more directly development-oriented. This is the insurance of Canadian private investment in less-developed countries against broad non-commercial risks of loss from expropriation or confiscation, war or revolution, or the inability to repatriate capital or earnings. Since the programme is of such recent origin, there is no record of performance on which the committee can comment. The broad lines of policy have, however, been set. The Committee does, then, have a number of views on the potential of this plan for increasing the beneficial involvement of Canadian investors in the Caribbean area.

In comparison with the investment guarantee programme of the United States Government, the Canadian scheme is, at this stage, almost experimental in scale. Thus, while further growth is probable if the programme operates well, it cannot be expected to have a major short-term impact on development in any one area. Because of the overall ceiling and the limits on liability in any one investment, the programme will be oriented primarily toward medium-sized investment projects. The Committee hopes that, in the Caribbean, this orientation will result in a stress on manufacturing, processing, or assembly operations with wide economic side-benefits. The provision for the insurance of reinvested earnings up to a value of 50% of the initial investment is also considered a useful stimulus to investors to solidify their commitment to the local economy.

The Committee also suggests that the investment insurance scheme offers a valuable opportunity to the Canadian Government to encourage Canadian investors in developing countries to adhere to standards of corporate behaviour which will promote Canada's overall good relations with those countries. The scheme is restricted to investments that will either provide economic advantages to Canada or contribute to the economic growth and development of the country in which they are made. In the latter case, the Corporation presumably has an interest in ensuring that while the insurance is in force, the investment continues to make a real economic contribution to the host country. In the area of non-commercial risks, the Committee believes, the insurer also has a definite interest in the good corporate citizenship and good community relations of the investor insured. It would therefore be fully legitimate and very valuable for the Export Development Corporation to impose certain conditions on insured investors which would maximize the developmental impact of the investment and, at the same time, provide a model for other Canadian investors in developing countries. The Committee

believes that the Corporation's stated policy of encouragement of joint ventures with local investors will prove highly beneficial. Other kinds of conditions involved are suggested in this Report's section on "Private Investment".

Other than investment insurance, there are a number of mechanisms for investment-promotion in developing countries which could be initiated or expanded by the Canadian Government. Pre-investment studies (e.g. resource surveys, etc.) have been part of Canadian official assistance in the past. These, and perhaps even specific feasibility studies, could increasingly be performed at the request of recipient governments.

CIDA's Business and Industry Division will, hopefully, have an expanding role in serving as a "clearing house" for information on investment opportunities—soliciting and collecting data from developing countries and making them available to potential investors in Canada.

If CIDA, as suggested earlier in this section, were in future to provide "programme" assistance to the Caribbean governments, it would have the useful side-effect of offsetting the cost of incentives provided to investors and would thus assist in the expansion of this activity.

ii) *A "Canadian Overseas Development Corporation"*

One of the Committee's early witnesses, suggested that a Canadian financing corporation (along the lines of Britain's Commonwealth Development Corporation) could play an important part in stimulating local activity in the private sector in the Caribbean. This role, he felt, would effectively complement Canada's development assistance through the bilateral programme and through the Regional Development Bank.

The Committee recognizes that the establishment of such a corporation would involve a very substantial new outlay in budgetary and administrative resources. It does seem, however, to be a promising proposal which merits further study by the Canadian Government, and one which should possibly be given high priority if the Government continues to expand its overall development assistance effort. The corporate form itself probably would have a number of important advantages in terms of securing finances, attracting personnel, and operating a flexible administration.

The utility of such a development corporation would probably be highest in areas like the Commonwealth Caribbean, where there is a fairly well-developed physical and administrative infra-structure and a suitable labour force. The corporation would contribute not only needed capital, but also entrepreneurial and marketing skills. In the Commonwealth Caribbean it could also fill a particularly urgent need by serving as a vehicle for the increasing involvement of local investors in joint ventures.

The development corporation could also be a mechanism for providing new types of development assistance. The Committee's proposal, (in the section on

“Trade Relations”) for the establishment of a joint Canada-Caribbean marketing agency, might perhaps best be implemented through a separate corporation of this kind.

Conclusions and Recommendations (V)

1. The Senate Committee notes that the Commonwealth Caribbean is currently the area of highest per capita allocation of Canadian development assistance funds—an important recognition of the region’s “special status” in Canadian external policy. Caribbean
Priority

The Canadian Government should continue the present intensive concentration of C.I.D.A. funds in the Commonwealth Caribbean. There is also great scope for new forms of assistance appropriate to the present needs of the region.

2. All Canadian assistance policies should be based on a recognition of the predominance of self-generated resources in development efforts. Canada’s supporting role can be made much more effective by co-ordination and harmonization of Government policies in several departments which can vitally affect development prospects. Self-help
and Co-
ordination

3. The present C.I.D.A. policy of special concentration in the smaller islands of the Eastern Caribbean is well-founded. The five year planning principle in this programme is also a step in the right direction, but the Committee is concerned about too great a reliance on the development of tourism. The programme should remain flexible, and C.I.D.A. should respond favourably to requests for increased assistance to the agricultural sector. Programme
in Eastern
Caribbean

4. The Committee recommends continuing support of projects and programmes leading to regional co-operation and integration. The present assistance to the University of the West Indies and the Regional Development Bank is highly effective for this purpose. All co-operative projects must proceed, however, at the pace agreed upon by the governments of the area and no regional institution should become too dependent on outside support. Encourage-
ment of
Caribbean
Co-operation

5. The Senate Committee recommends the following changes in Canadian assistance policies to increase the effectiveness of the aid and improve the climate of Canada-Caribbean relations: General
Assistance
Policies

(a) “Programme” assistance—Direct financial support of the development programmes of the Caribbean countries in order to eliminate a number of inefficiencies and frustrations, and as an important and effective demonstration of confidence and partnership by Canada.

(b) "Tying" of aid—A continued policy of "untying" aid which is the best long-term interests of all concerned and would be greatly welcomed by the Caribbean governments.

C.I.D.A. should also explore the possibility of permitting "tied" aid funds to be utilized for procurement in other developing countries. Within the Caribbean region this could have an important impact on industrial development and economic integration.

(c) Local Costs—Further liberalization of the Canadian policy on the payment of "local costs" to take account of "indirect foreign exchange costs" (e.g., the cost of imported components), and to exclude shipping costs from the "local" component.

Future
Assistance
Planning

6. Future Canadian assistance should concentrate more on direct development of appropriate export sectors of the Caribbean economies. The marketing agency proposed in section 3 of "Trade Relations" above, could be a highly effective vehicle for such assistance. At the same time, Canada's technical assistance in the area should increasingly stress business and public administration, with flexible schemes for relevant extension work and on-the-job training.

A "Canadian
Overseas
Development
Corporation"

7. A "Canadian Overseas Development Corporation" might be able to play an important part in stimulating local activity in the private sector in the Caribbean, complementing Canada's present bilateral assistance and the work of the Regional Development Bank. The possible establishment of such a corporation merits further study by the Canadian Government.

Other
Assistance
Policies

8. The Report's sections on "Tourism", "Immigration", "Private Investment", and "The Work of Voluntary Agencies" contain specific recommendations for assistance measures in those fields.

VI PRIVATE INVESTMENT

1. *General*

Canadian private investment forms one of the oldest links with the Caribbean area. The flow of capital has been very considerable and has undoubtedly contributed a great deal to the aggregate output of the local economies. It continues to be encouraged by the governments of the area and welcomed by the vast majority of their people.

The operation of international companies in the Caribbean has probably also served, through movements of personnel and general corporate transactions, as a beneficial force for the further economic integration of the area.

The role of foreign investment in developing countries is now a subject of heated world-wide debate. The debate in the Caribbean has been intense and has sometimes focussed on the role of firms based in Canada. It has become clear that the performance of Canadian-owned or Canadian-domiciled companies in the Caribbean area has an important bearing on the public image of the country, and on Canada-Caribbean relations in general. It is therefore vital that the subject be discussed here with realism and candour.

2. *Information on Private Capital*

Because of the intrinsic involvement of Canada's interests and reputation, the Committee believes that the Canadian government has a need and a right to know the location and extent of investment by Canadian-owned or Canadian-domiciled corporations in this region.

Detailed and current information of this kind is, in the Committee's view, an absolute pre-requisite for effective planning of official development assistance and representational services in the area. It is also vital to enable the Government to evaluate the effect of private activity on overall relations.

The Committee was surprised to be informed, during its hearings, that the departments concerned were not aware of any source for this information. In subsequent research, the Committee has ascertained that extensive data on Canadian private investment abroad is collected and collated by the Dominion Bureau of Statistics, although it is not made public. The Committee recommends that personnel in the policy-making departments be made aware of this information and have access to it when required.

3. Incentives and Returns to Private Capital

Perhaps the most important problem relating to foreign investment concerns the distribution of the economic benefits derived. On the assumption that operation in a developing country involves substantial starting-up cost and an additional degree of economic and non-economic risk, investors have demanded major concessional incentives and extra margins of profit. Because of the competition among various developing countries for scarce capital resources, the cost of these concessions has risen steadily.

Extended tax holidays and very high rates of profit repatriation will inevitably lead to local frustration and resentment. This is particularly the case in resource industries where the resource in question is believed to have a fairly limited life-span. The absence of reliable public information leaves room for exaggerated estimates of the actual rates of profit realized. All of these effects can be observed in the Caribbean. They have created a less favourable climate for Canadian investment and have diminished general goodwill toward Canada.

The basic justification for foreign enterprise is its risk-taking capacity. Foreign companies must recognize that excessive demands for concessions and guarantees will ultimately undermine and endanger their own position. It is possible for firms to enter under moderate guarantees, operate at reasonable rates of return and, in the process, provide more long-term security for their investments.

4. Local Participation

The need for foreign investment in developing countries grows out of a basic capital shortage. By definition, under these conditions, it will be impossible for nationals to retain ownership over many sectors of the economy while meeting the need for capital. As Canadians are fully aware, this situation can give rise to widespread apprehensions and resentment.

As the local capacity for capital formation grows, there is increasing pressure to supply more new capital from local sources and "buy back" at least a share of existing investment. This pressure is now very strong in the Caribbean.

With regard to new investment, it seems clear that a larger proportion will in future be provided locally, either by governments or private investors. There will be increasing emphasis on joint ventures and management contracts, mechanisms which combine local capital with the resources of international companies, and which, in many countries, are proving highly satisfactory.

The growth of development financing facilities will permit an acceleration of the rate of local investment and the regime of outright ownership by foreign

investors will diminish. In many cases local governments will foster this process by regulation. Investors will be forced to recognize the rights of sovereign economic control and the legitimacy of many local interests. It goes without saying that local governments which wish to secure the benefits of foreign capital in competitive world markets must permit reasonable returns and reasonable freedom for flexible operation.

With regard to existing investment, it is now clearly in the interest of foreign-owned companies to secure local equity participation. This will further national development by distributing more widely the benefits of economic activity. To the extent that local capital is available, its participation will also provide goodwill and a secure place in the local community.

Some Canadian companies in the area have already energetically pursued this policy with salutary results. Others face difficulties involving integrated international operations, share-listing, and currency controls. Such problems can, however, be overcome. Increasing local ownership is a matter of urgent concern to the host communities, the companies involved, and Canada. It would seem that an excellent starting-place in spreading local participation will be for companies to offer to their Caribbean employees the kinds of stock-purchase plans common in North America and elsewhere.

5. Extending the Benefits

Another general trend among developing countries is the determination to industrialize. Recognizing that secondary industries have been the engine of growth in the rich countries, governments of developing countries are intent upon reducing their present level of dependence on primary production.

A large proportion of the Caribbean investment of Canadian-based companies has been in the bauxite and alumina industries. The situation regarding these products is discussed in this report's section on Canadian imports from the area. In summary, it is evident that while this production has contributed a great deal to national output and to the development of ancillary economic activity, local pressure for increased refining, smelting and manufacturing will intensify in the future. This demand for greater local economic benefit from the end-products of Caribbean resources must be met if resource-based companies are to operate successfully in the future.

The other traditional area for Canadian-based investment has been in financial institutions where several companies have occupied a commanding position for many years. In most countries this is a vital and intrinsically sensitive sector of the economy and the Committee has concluded that it will be increasingly important

for these companies to "Caribbeanize" their operations. This will involve continuation of the policies of encouraging local equity participation and maximum development of local personnel resources. They will also be required to meet growing demands that their activities be closely geared to the development needs of the Caribbean communities.

All Canadian-based companies operating in the Caribbean are aware of the need to recruit locally for staff positions at all levels. In many cases there are official regulations requiring such policies. Recognizing the unique advantages of local personnel, all companies should now be energetically recruiting them, particularly for managerial and supervisory positions. In many cases, this recruitment can be carried on very effectively among West Indian students and expatriates in Canada. Companies must also place a high priority on the training of Caribbean personnel to fill senior positions in their home countries, elsewhere in the area, and in the international organizations.

The present and future needs of the region for foreign investment will be mainly in manufacturing industries. In this sector advanced managerial and technical skills, marketing techniques and contacts, as well as needed capital can all be provided by Canadian firms. Such investments, undertaken in full cooperation with the local community, recognizing the need for labour-intensive operation and the stimulation of local markets, can be highly successful and a source of improved Canada-Caribbean relations.

6. Canadian Official Encouragement

The policies of the Canadian government regarding the flow of private investment from Canada to the Caribbean are discussed in this report's section on "Development Assistance".

Conclusions and Recommendations (VI)

**Place in
Canada-
Caribbean
Relations**

1. The Senate Committee is convinced that Canadian private investment has contributed substantially to Caribbean development. It has been encouraged by the governments of the area and welcomed by the vast majority of their people. As in Canada, however, there have been basic changes in the conditions under which outside investment is expected to operate. There is an urgent need for increased awareness of these changing conditions if Canadian investment is to continue to play a useful role in Caribbean development and to have a beneficial effect on Canada-Caribbean relations.

**Canadian
Government
Co-operation**

2. The Canadian Government should give vigorous encouragement to Canadian investors who are sensitive to the needs and conditions of the area.

The new investment-insurance operation of the Export Development Corporation should help to increase productive investment and can serve to encourage appropriate corporate policies. The Corporation's advocacy of joint ventures with local investors is an example of the kind of progressive action required.

Within C.I.D.A., the Committee recommends that the Business and Industry Division assume an expanding role as a "clearing house" for information on investment opportunities in developing countries. C.I.D.A.'s work in infrastructural and pre-investment assistance provides vital "seed money" for activity in the private sector. Canada should continue to provide this kind of help, which is likely to be increasingly requested by Caribbean governments.

3. Because of the intrinsic involvement of Canada's national interests and reputation, the Committee believes that Canadian Government policy should take full account of the location and extent of Canadian private investment in the Caribbean. The Committee has been surprised to learn as a result of exhaustive research that some information on Canadian private investment is collected and collated by the Dominion Bureau of Statistics, but that the existence of even this material is not apparently known within the policy-making departments. This data is essential to an overview of Canadian involvement, and to the accurate planning of official development assistance and representational services. Personnel within these departments should be made aware of this information and should have access to it when required.

Information
on Private
Investment

4. It is vital that Canadian investors recognize and accept the growing local interest in ownership of Caribbean resources and industry. With regard to existing investment, some Canadian firms have initiated the policy of local sales of shares with very encouraging results. Share-purchase plans for employees will be a very useful vehicle in this endeavour.

Local
Participation

In future investments, demand for larger local participation can be expected and there will be increasing emphasis on joint ventures and management contracts. If Canadian investors can adapt satisfactorily to these new conditions, they will continue to operate profitably and make an even more useful contribution to the Caribbean economies.

- Extending the Benefits of Resources**
5. The countries of the area are firmly committed to phasing out their current level of dependence on raw materials production and gaining a greater share of the economic benefits from the end-products of Caribbean resources. The primary Canadian involvement in a resource industry is in bauxite and alumina. While the Canadian company's record is considered relatively good, growing local pressure can be expected for increased processing of the materials within the area.
- Financial Institutions**
6. The other main sector of Canadian corporate activity, financial institutions, is an intrinsically sensitive one. It will be increasingly important for these firms to continue policies of encouraging local equity participation and developing local personnel resources. They will also be required to meet growing demands that their operations be closely geared to the development needs of the Caribbean communities.
- Economic "Spillovers"**
7. All Canadian investors in the Caribbean must become increasingly conscious of the need to stimulate ancillary economic activity by maximizing local purchases of goods and services. There is a pressing need for more local benefits from the tourist industry and manufacturing enterprises.
- Personnel Policies**
8. All companies operating in the Caribbean should recognize the need to recruit locally for staff positions at all levels. Canadian companies should not only adhere to the requirements of local governments, but can greatly increase the effectiveness of their operations by energetically recruiting local personnel, particularly for managerial and supervisory positions. The practice of recruiting Commonwealth Caribbean students and other expatriates in Canada is an excellent one which should be expanded.

VII THE WORK OF VOLUNTARY AGENCIES

1. *General*

In general, the Caribbean is an area of intensive concentration for the overseas activities of the Canadian voluntary sector. In addition to the traditional involvement of the Christian Churches, many of Canada's main voluntary agencies are active in relief and welfare work, youth projects, education, and medical assistance.

In its hearings, the Committee met with representatives of several churches and the Canadian University Service Overseas (C.U.S.O.). Further attention has been given to the work of voluntary agencies in general, and additional material has been examined. The Committee has been extremely impressed by the knowledge and dedication of the personnel of voluntary agencies in the Caribbean, and by the extent and value of their work.

It is clear that the changing conditions in the Caribbean countries are affecting vitally the methods and objectives of voluntary activities. In most cases, the objective of economic and social development is paramount, and the maximum involvement of the local population is an urgent priority. The emphasis is on cooperation rather than "assistance", and the goal is to eliminate the need for outsiders as soon as possible.

In the educational and technical assistance fields, the qualifications required of outside personnel are constantly rising. In some cases this has led to difficulties in recruiting and paying personnel at more senior levels. It is generally recognized, however, as heartening evidence of progress in local manpower development. In general, too, the personnel of non-governmental agencies appear to continue to enjoy a large measure of public goodwill in the area despite the growing nationalism and even blanket hostility toward foreigners in some sectors of opinion. On a person-to-person basis, Canadian voluntary agencies make a positive and substantial contribution to Canada-Caribbean relations.

2. *Canadian Official Cooperation*

The Canadian Government has recognized the invaluable and often unique contribution of Canadian voluntary agencies in assisting developing countries. In 1967 C.I.D.A. instituted a Special Programs Division with the objective of assisting non-governmental agencies in development projects and programmes. In 1969-70 the total allocation for assistance to non-governmental organizations is \$6.5 million, a substantial increase over the 1968 level. Grants are made to volun-

tary agencies on a "matching" basis, with the agency normally supplying one-half to two-thirds of the funds required for the project or programme involved.

In 1968-69, C.I.D.A. contributed almost \$200,000 to specific projects in the Caribbean and at least the same amount again through "National" and "International" projects. It is noteworthy that almost half the specific Caribbean allocation went to Haiti, to assist two Canadian missionary orders in school-construction projects. The largest single allocation is to the Canadian University Service Overseas (C.U.S.O.) which has a current annual budget of \$262,000 for its Caribbean programme with 129 personnel in the West Indies.

The Committee is convinced that the "seed money" provided to voluntary agencies is, in general, an extremely effective use of official development assistance funds and one which usefully complements official aid activities. If the present rigorous standards of appraisal can be maintained, the Committee believes that the programme should be expanded further and that, in certain circumstances, C.I.D.A. could legitimately contribute an even larger proportion of project-costs.

Conclusions and Recommendations (VII)

**Canadian
Government
Assistance**

1. The Senate Committee considers that the "matching grants" provided to voluntary agencies, through C.I.D.A.'s Special Programs Division, have been a very effective use of official development assistance funds in the Caribbean. The programme should be expanded further and, in certain circumstances, C.I.D.A. could legitimately contribute an even larger proportion of project costs.

VIII IMMIGRATION

The Committee has been particularly interested in the question of West Indian immigration to Canada because of its close relationship to both the overpopulation and "brain drain" problems in the Caribbean.

The problem of overpopulation varies widely in its intensity. Barbados, for example, has one of the highest population densities in the world, while Guyana is a huge and virtually empty frontier land. In Jamaica and Trinidad and Tobago, the index of population density itself is not yet critical. Clearly, however, the economies of these countries are unable to absorb the available labour force. The resulting mass unemployment is, understandably, a source of continuing social and political turmoil, and one which may persist and intensify with further population growth. The immediate problem in many areas has been aggravated over the past few years since Britain ceased being an outlet for large-scale West Indian immigration.

Within the region it is hoped that Guyana will eventually be able to absorb large numbers of immigrants, but at present the migration to that country is not heavy. The United States has continued to accept large numbers of people from the area, and Canada has received a growing number of Caribbean immigrants for the past few years (recent statistics on immigration to Canada are included as Appendix E of this Report).

The seasonal movement of agricultural workers from the West Indies to Canada since 1967 has been useful in providing short-term employment for several thousand people. The arrangement appears to have been satisfactory to all concerned, and further growth in this and similar plans should be encouraged.

There are varying estimates of the gravity of the "brain drain" in the West Indies, but several of the Committee's witnesses assessed it as one of the most serious problems facing the area. Canada, of course, is unavoidably and closely involved in this problem, as a major recipient of skilled emigrants from the region. Canadian immigration standards, with their primary reliance in skill criteria, inevitably attract a disproportionate number of highly-skilled and professional workers. Not all such emigration is harmful, of course. In some fields there may be surplus trained personnel who would be unemployable and dissatisfied in their home countries. In most fields, however, skilled manpower is not sufficient, and emigration is a loss that the Caribbean countries can ill afford.

Because non-discrimination and universality have been accepted as the guiding principles of Canadian immigration policy, there are few initiatives available to Canada to help reduce the "brain drain". It must be added that the recognition and enforcement of these principles has greatly increased immigra-

tion from the Commonwealth Caribbean countries and has substantially removed this as a source of friction.

Certain measures relating to Canada's educational assistance may help to reduce the gravity of the "brain drain" to some extent, and they are discussed in the chapter on "Development Assistance".

Students and other expatriates in Canada should be actively recruited for positions in their home countries. The Department of Manpower and Immigration could assist considerably through its employment offices, and, under certain conditions, Canadian assistance funds might be used to help finance such recruiting drives.

Beyond this, however, it seems clear that remedial action will have to be initiated by the governments of the developing countries affected by the problem, and, that this action will probably have to be taken multilaterally. A number of developing countries have pressed for international controls on skilled emigration from developing areas. The prospects for success are, however, slight in view of the difficulty involved in reconciling such measures with the principle of the "free movement of peoples" enshrined in the United Nations Charter.

As a developed country, it would be inappropriate for Canada to lead in the pressure for such controls. Should they gain the general backing of developing countries, however, Canada should support such multilateral controls for as long as skilled emigration constitutes a critical problem for these countries. The Committee strongly recommends that the Canadian Government co-operate, as fully as possible, in all other efforts by developing countries to solve this problem.

In the absence of systems for controlling the "brain drain", Canada and other developed countries should consider the possibility of a compensation scheme. Such a plan would take into account the important economic transfer involved in the immigration of a skilled worker. There are many attempts underway to arrive at a fair and practicable formula for compensation (CIDA in its recent policy review, obtained some material on this subject). The Committee believes that an acceptable scheme, involving material resources or technical assistance, could be of great benefit.

The Committee was very interested in the question of the adjustment of West Indian immigrants to Canadian life and was encouraged by the Minister's announcement of a departmental study into the post-arrival problems and prospects of new Canadians. This study should permit the planning and implementation of improved counselling and other assistance programmes for prospective and arriving immigrants.

Conclusions and Recommendations (VIII)

1. The Senate Committee has noted the large increases in Caribbean immigration and has been encouraged by the fact that recent changes in Canadian immigration policy have removed former sources of friction. Immigration and Canada-Caribbean Relations
2. The seasonal movement of farm workers to Canada since 1967 has been very useful in providing short-term employment to several thousand workers from Commonwealth Caribbean countries. The arrangement appears to have been satisfactory to all concerned and further growth in this and similar plans should be encouraged. Agricultural Workers' Plan
3. The question of the "brain drain" from the Caribbean, which is recognized as one of the area's main problems, has been one of the major concerns of the Committee. While it has concluded that the main responsibility for alleviating this problem must remain with the home countries of skilled immigrants, the Committee strongly recommends that the Canadian Government co-operate in all such efforts. Immigration and the "Brain-Drain"
4. The initiatives taken by C.I.D.A. to reduce the immigration of Caribbean students brought to Canadian institutions are very useful. By providing scholarships for study at the University of the West Indies, particularly at the undergraduate level, equally effective help is provided at lower cost, without inducing emigration. The Committee was encouraged by the improvement in the proportion of Caribbean students returning to work in their home countries. The recruiting programmes of companies active in the area help to bring back students and other expatriates, and the Committee recommends that the Department of Manpower and Immigration offer all possible assistance with this recruiting. Educational Assistance

IX TOURISM

While the economic impact is impossible to calculate with precision, tourism is obviously a major Canadian import (in the broad sense) from the Caribbean and one which is still growing very rapidly, even after the phenomenal expansion of the past few years. There is even a prospect of accelerated expansion with the advent of jumbo-jet service.

Although the tourist industry is clearly an important source of revenue, and is officially encouraged by all the governments of the area, the Committee has been given many reasons for apprehensions about further rapid growth.

The concerns reflected in this section almost all fall under the powers and responsibilities of the Caribbean governments. This discussion is undertaken for two reasons: first, to point out broad implications for Canada-Caribbean relations in general, and second, to assess the real economic impact of this export industry.

The massive influx of affluent white tourists to small islands populated mainly by poor, non-white citizens with memories of European colonialism will inevitably result in envy and resentment. By definition, tourists will tend to monopolize the most attractive and desirable properties, and most of the local people employed in the industry will be involved in a kind of servant capacity. The irritations are aggravated if most of the industry is foreign-owned. Basically these conditions prevail in the Caribbean, and a number of other undesirable social side-effects of tourism are probably also at work.

In the public mind, Canadian tourists in the area are in many ways viewed as being representative of Canada. While there is no reason to believe that they have engendered more resentment than other identifiable groups, nor can they be expected to be any more attuned to local concerns and sensitivities. As Canadian tourists establish a stronger presence, inevitably the whole issue of public goodwill toward Canada becomes involved.

From the viewpoint of both Canada and the Caribbean countries, there appears to be a definite limit on the number of tourists that can be absorbed without damaging consequences. In some countries, this point is close or may even have been passed. While the initiative is necessarily in the hands of the responsible Caribbean governments, Canadian officials (and, hopefully, tourists) must appreciate the problems and be prepared to respond with understanding to efforts to alleviate them.

Another major problem has been that too little of the economic benefit of tourism has accrued to the local societies. Prevalent foreign ownership has resulted

in a large outflow of repatriated profits. Almost all of the industry's material requirements have normally been imported, providing no stimulus whatever to local industries. The import bill has usually included machinery, construction materials, furnishings and most consumables, including even fresh fruits and vegetables. This latter problem involves a kind of mutual adjustment: local producers must be urged to expand into the required product-lines; and tourists should be encouraged to appreciate more of the local varieties of atmosphere and diet. Here again the main burden must fall on the local governments, but Canadian cooperation can be very valuable. Canadian assistance directed to local production for tourist consumption may have a significant impact. Canadian trade promotion services in the Caribbean should also avoid competition with efficient local producers.

Another possibility, raised at the 1966 Conference, was the suggestion, by Caribbean delegates, of enlarged duty free exemptions on local products for Canadian tourists returning from the area. It is possible that this could be an extremely useful form of assistance to increase the immediate and long-term benefits from tourism to the Caribbean economies.

The Committee understands the reluctance of the Canadian Government to extend special measures which could be considered discriminatory. At the same time this appears to be the ideal kind of assistance to offer to developing countries in general, and the Committee recommends that this possibility be given special consideration.

Conclusions and Recommendations (IX)

**Social and
Economic
Effects**

1. While recognizing the crucial importance of the tourist industry to many Caribbean countries, the Senate Committee has become concerned about the overall impact of tourism on those countries and on Canada-Caribbean relations in general.

Evidence given before the Committee indicated that tourism has had a number of undesirable social side-effects without necessarily bringing all the expected economic benefits. The Committee recognizes that the responsibility for solving these problems rests primarily with the local governments, but has several specific proposals to make.

**Economic
Side
Benefits**

2. If the tourist industry is to have any broad and lasting impact, many more of its material requirements, from consumables to construction materials, must be procured locally, rather than imported (as is now the general rule). While this will involve mainly local gov-

ernment action in encouraging local production and purchasing and in educating tourists about local products, Canada could assist significantly by directing more of its assistance to production related to tourism, and by adopting co-operative policies in other fields.

3. The possibility of enlarged duty-free exemptions for Canadian tourists returning from the Caribbean was discussed at the 1966 Conference. While acknowledging the merit of the Canadian Government's reservations about discriminatory measures of this kind, the Senate Committee considers that it would be desirable to extend especially favourable treatment to developing countries in general. The Committee recommends that special consideration be given to this proposal, which could be of great immediate benefit to developing areas such as the Caribbean.

Duty-Free
Exemption
for
Canadian
Tourists

X TRANSPORT and COMMUNICATIONS

Since the 1966 Conference, very encouraging progress has been made on a number of concerns in the transportation sector which were discussed at that time.

Following up on the Canadian Government's offers of cooperation in improving regional air services and airport facilities, C.I.D.A. has directed a large part of its Commonwealth Caribbean programme into this sector. Aircraft have been provided on a grant basis and through loans or lease-loan arrangement. Aviation communication equipment has been supplied on a substantial scale and, particularly in the Eastern Caribbean, major improvement projects have been undertaken on airport buildings and runways. These projects have been effectively complemented by technical assistance involving the training of specialized personnel in Canada. There are indications that air services and facilities are a continuing priority of many of the countries, and that the sector will remain an important channel of effective Canadian assistance.

Progress has been made in negotiations on bilateral air service agreements between Canada and the fully-independent countries. A direct commercial agreement has been made between Air Canada and Air Jamaica, involving some provision of assistance by the Canadian carrier. Air Canada has also been directly involved in assistance on a regional scale.

The other major issue raised at the 1966 Conference involved the possibility of the restoration of direct shipping services between Canada and the Commonwealth Caribbean. The Canadian Government, having agreed that the matter should be fully investigated in the light of its possible long term contribution to the promotion of trade, completed a study of the question in 1968. The three-volume report was then transmitted to the Caribbean governments and other interested organizations for comments.

The Committee has had quite extensive discussions of this subject and is fully aware of its complexity. The most important difficulty lies in ascertaining whether or not there is sufficient trade potential economically to justify direct shipping, when the lack of shipping itself constitutes a major obstacle to potential trade. The Canadian Government study was inconclusive on this question but did see sufficient basis for further investigation. The Committee believes that this is an issue which should rank high on the agenda of any future Heads of Government or Ministerial Conferences.

If there is evidence of substantial interest in the part of the Caribbean governments, the 1968 report would form the basis for specific feasibility studies and further action. The Committee recommends that any new talks on direct

transportation should also emphasize full discussion of the future potential for air-freight services, and should be closely tied to specific programmes of two-way trade promotion.

Conclusions and Recommendations (X)

General Progress

1. The Senate Committee has been encouraged by the progress made on a number of issues relating to transport and communications since the 1966 Conference and considers that this sector will continue to be an important focus for Canadian development assistance to the Caribbean.

Canada- Caribbean Transporta- tion

2. The question of direct Canada-Caribbean shipping, a concern of the 1966 Conference, has been examined in some depth by the Committee. Because of its crucial relationship to trade possibilities, the Committee believes that the whole question of direct transportation could be discussed very usefully in new multilateral talks with the Caribbean governments.

While such discussions could deal with the shipping study prepared by the Canadian Government, they should also emphasize the potential for air-freight services. The prospects for all forms of air transportation between Canada and the Caribbean will improve rapidly as innovation proceeds in the field.

APPENDIX "A"

<i>Issue Number</i>	<i>Date of Meeting</i>	<i>Witnesses Heard</i> (<i>First Session—Twenty-eighth Parliament (1969)</i>)
1	February 13/69	Mr. Willis C. Armstrong, Associate Dean, School of International Affairs, Columbia University, New York City, U.S.A.
2	February 25/69	Mr. William G. Demas, Head of Economic Planning Division, Office of the Prime Minister of Trinidad and Tobago, West Indies.
3	March 4/69	Mr. John N. Plank, Senior Fellow at Brookings Institution, Washington, D.C., U.S.A.
4	March 11/69	Dr. Alexander N. McLeod, Governor of the Central Bank of Trinidad and Tobago, Trinidad, West Indies.
5	March 18/69	Professor George V. Doxey, Professor of Economics and of Administrative Studies, York University, presently visiting Professor at the University of the West Indies in Barbados, West Indies.
6	May 6/69	Right Honourable Lester B. Pearson, P.C., Chairman, Commission on International Development (World Bank).
7	June 18/69	<i>Department of Industry, Trade and Commerce:</i> Mr. T. M. Burns, General Director of Office of Area Relations; Mr. G. Schute, Director, Industry, Trade and Traffic Branch; Mr. R. B. Nickson, Director, Commonwealth Division; Mr. C. L. Bland, Commonwealth Division, Office of Area Relations.
8	June 25/69	Honourable Allan J. MacEachen, Minister of Manpower and Immigration. Mr. R. B. Curry, Assistant Deputy Minister (Immigration), Department of Manpower and Immigration.
<i>(Second Session—Twenty-eighth Parliament (1969-70))</i>		
1	November 4/69	<i>Canadian International Development Agency:</i> Mr. Maurice F. Strong, President Mr. A. J. Darling, Head of Commonwealth Caribbean Planning Division.
2	November 19/69	Honourable Mitchell Sharp, Secretary of State for External Affairs.
3	November 25/69	<i>ALCAN Aluminium Ltd.:</i> Mr. Nathanael V. Davis, President; Mr. Donald D. MacKay, Executive Vice-President; Mr. E. H. Roach, Administrative Officer.
<i>In Camera</i>	December 2/69	<i>International Nickel Company:</i> J. S. Page, Assistant to Chairman of Board. <i>Falconbridge Nickel Mines Limited:</i> Marsh A. Cooper, President and Managing Director.
4	December 9/69	Mr. K. R. Patrick, President, Marigot Investments Limited, Montreal, Quebec.
5	February 10/70	L'Abbé Gérard Dionne, Director, Canadian Catholic Office for Latin America. Reverend David Woeller, Area Secretary for the Caribbean and Latin America, Anglican Church of Canada. Doctor Garth Legge, Associate Secretary, Board of World Mission, United Church of Canada. Miss Mary Whale, Executive Secretary for Overseas Missions, Presbyterian Women's Missionary Society, Presbyterian Church of Canada.

APPENDIX "A" (Concluded)

<i>Issue Number</i>	<i>Date of Meeting</i>	<i>Witnesses Heard</i> (<i>Second Session—Twenty-eighth Parliament (1969-70)</i>)
6	February 19/70	<i>Resources Management Consultants:</i> Mr. W. M. Kudryk, Managing Partner, Toronto, Ontario; Mr. L. G. Wynnyckyj, Partner, Toronto, Ontario.
7	February 25/70	<i>Canadian University Service Overseas (C.U.S.O.):</i> Mr. Frank Bogdasavich, Executive Director; Father Harold Gardiner, Director of Caribbean Program; Mr. Robert Sallery, Public Relations Officer.
8	March 3/70	Mr. Roy Matthews, Acting Executive Director, Private Planning Association of Canada.
9	March 17/70	Mr. John D. Harbron, Associate Editor, The Telegram, Toronto.
10	March 17/70	*
11	April 21/70	Dr. George Eaton, Professor of Economics, York University, Toronto, Canada.

Note: A number of informal meetings with visiting experts were also held.

* Issue Number 10 was not related to the enquiry on Canada-Caribbean relations.

APPENDIX "B"

CANADA-COMMONWEALTH CARIBBEAN TRADE STATISTICS

\$ Million

<i>Canadian Exports</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>	<i>1969</i>
Jamaica.....	33.5	39.1	34.3	40.4
Trinidad.....	23.3	20.1	16.2	19.4
Guyana.....	9.9	12.1	9.1	8.3
Barbados.....	8.1	8.4	10.1	8.7
Bermuda.....	7.4	7.4	7.1	9
Bahamas.....	10.8	10.2	12.7	15.2
Leewards and Windwards.....	8.8	8.7	8.4	10.3
British Honduras.....	.9	1.2	1.3	1.7
	102.8	108.2	99.3	113

+13.79%

<i>Canadian Imports</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>	<i>1969</i>
Jamaica.....	37.3	31.9	33.9	46. *
Trinidad.....	16.0	18.7	19.9	17.7
Guyana.....	28.1	30.0	29.4	33.9
Barbados.....	2.3	3.1	1.5	1.5
Bermuda.....	.8	.3	.4	.3
Bahamas.....	1.2	2.2	3.1	4.4
Leewards and Windwards.....	.9	1.4	1.3	2.4
British Honduras.....	1.5	1.9	2.5	2.5
	89.1	89.5	92	108.7

+18.15%

What Canada is Selling to the Commonwealth Caribbean

(Cdn. \$000's)

	<i>1965</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>	<i>1969</i>
Flour.....	11,138	10,355	8,413	6,701	5,490
Fish, Pickled, Salted.....	7,204	8,105	8,320	5,251	8,234
Meats.....	6,013	5,204	5,246	5,068	4,812
Fish, Canned.....	3,734	4,245	4,428	3,720	4,044
Motor Vehicles and Trucks.....	6,371	5,479	2,634	2,134	2,240
Drugs and Medicines.....	1,329	2,411	2,629	2,063	2,974
Lumber.....	1,879	2,503	2,560	3,467	2,907
Textiles.....	1,908	2,113	2,303	2,743	2,602
Aircraft and Parts.....	17	122	2,238	1,120	2,023
Newsprint.....	1,749	1,774	2,194	2,024	2,493
Insulated Wire and Cable.....	441	1,458	1,583	1,185	1,038
Telephone Apparatus and Equipment.....				3,286	6,870

Plus an Extremely Broad Range of Fully Manufactured Products.

*Substantially increased sales of alumina.

APPENDIX "B" (Concluded)

What Canada is buying from the Commonwealth Caribbean

Bauxite and Alumina.....	43,781	49,518	48,300	51,819	66,338
Raw Sugar.....	17,151	16,359	11,735	10,002	8,586
Crude Petroleum.....	8,917	8,453	9,504	9,866	4,867
Molasses.....	2,359	2,944	3,864	3,177	2,617
Rum.....	1,052	1,682	2,835	2,626	3,066
Fruit Juices.....	1,126	1,391	1,036	1,447	744
Coffee.....	398	396	505	495	298
Nutmegs and Mace.....	375	258	307	165	201
Liqueurs.....	151	320	280	468	481
Motor Gasoline.....			1,911	2,876	2,575
Sex Hormones.....			—	1,027	2,261
Fuel Oil.....			2,217	2,930	4,691
Lubricating Oils.....			1,882	1,117	3,273

APPENDIX "C"

The Potential for Canadian Imports of Bananas and Citrus Products.

a) *Bananas* — The West Indies banana producers, Jamaica and the Windward Islands, are at present almost totally dependent on the British market. British entry into the EEC will almost certainly involve the loss of some of the demand now provided by British preferences. These losses could easily assume critical proportions and it thus seems clear that alternative outlets are a high priority.

There are strong indications that West Indian bananas could compete successfully in the Canadian market. Bananas were a very important pre-war import from the area, and the 1966 Protocol to the 1925 trade agreement included a commitment "To endeavour to revive the banana trade and to bring about increased sales of bananas to Canada from the Commonwealth countries of the Caribbean." The two main obstacles to expansion lie in the interrelated areas of marketing and transportation.

At present the Canadian market for bananas is effectively consolidated with that of the United States. The supply situation in this market is very heavily concentrated, with almost the entire North American banana trade in the hands of two giant suppliers. They have achieved strong backward and forward linkages, with independently-owned shipping facilities and tightly-organized marketing arrangements. Extensive advertising campaigns have also established patterns of consumer preference for the type of bananas produced in Central America and the individual brand-names of these companies.

It is clear that there are formidable deterrents in the areas of transportation and marketing to West Indian producers seeking a share of the Canadian banana market. Given the basic competitiveness of their fruit, however, it should be possible. The producers would need to earmark and guarantee specific quantities of bananas of consistent quality for the Canadian market. A strong marketing organization would then be needed to secure contracts with Canadian wholesalers and retail-chains and to dispose Canadian consumers toward the new fruit.

The Committee is convinced that Canada, if it is to mount a concerted effort of development assistance in the area could help solve these problems. A marketing agency, of the type recommended in the Report, could mount the needed marketing and promotion campaign.

The vigilance of the Canadian authorities could also protect these efforts from the possibility of unfair competitive practices on the part of present sup-

pliers. Under present conditions of production and because of the corporate connections involved, the Windward Islands producers would be more likely to benefit than Jamaica.

The lack of transportation facilities presents a further difficulty in the possible restoration of the West Indian banana trade with Canada. Even in the absence of a general expansion of shipping services, however, it may prove that banana exports alone will justify separate shipping facilities. It is quite conceivable that air freight will become a practicable mode of shipping as innovation progresses in the field.

On balance, it appears that bananas may be one of the most promising of the potential West Indian exports to Canada. The stimulation of trade in this fruit should be given active consideration by all parties, and Canada should respond quickly and positively to proposals for co-operation and assistance.

b) *Citrus Fruits and Juices*—The Committee has had a number of indications that various citrus products from the Caribbean could compete effectively for a greater share of the Canadian market. Transportation and marketing difficulties are again important, but they do not appear insuperable. Assured contracts, continuity of supply, uniformity of quality, promotion to consumers: all these aspects remain to be dealt with, but it does seem that these fruits, particularly varieties like the ortanique, offer potential for mutually-beneficial trade.

The Canadian Government should be receptive to proposals for action and assistance in this sector. Here again a concerted marketing and promotion campaign could yield substantial results.

APPENDIX "D"

Comments on Traditional Canadian Exports to the Caribbean Area

a) *Flour*—Wheat flour remains the largest single item on the export list but Canadian sales have declined drastically in both absolute and relative terms.

Canadian exports have lost ground to those of the United States, France and Australia, because of the basic inability to compete with subsidized wheat produced in those countries. In large part, this decline in sales has also been a result of import-substitution policies on the part of local governments. Because of the subsequent decision of Canadian milling companies not to initiate operations within the area, an increasing share of the market has gone to American firms, which also tend to rely on supplies of American wheat.

There appears to be little prospect of Canada regaining a larger share of the West Indian market for this commodity. The importing countries in the area are honouring their commitment to ensure a fair opportunity for Canadian trade in these products. The decline is, then, part of the overall adjustment problem confronting the Canadian wheat producer and Canadian governments.

b) *Fish Products*—Canada's exports in this area have been highly competitive and have tended to dominate the market. In very recent years there have been some declines, however, and it is possible that more will follow. The reasons appear to lie in three areas: changes in taste by consumers with rising incomes to which the Canadian producers have not adapted either in terms of quality or packaging; increasing competition in certain product-lines by other exporters; and, to some extent, growing domestic production.

Flexible and aggressive marketing should enable Canadian suppliers to adapt to changes in patterns or consumption and to maintain a commanding market position in the face of present competition.

c) *Meats*—After expanding very rapidly between 1950 and 1965, exports of Canadian meats have now declined somewhat. Further declines can be anticipated as most of the countries place a high priority on import replacement in this area, and, within the CARIFTA region, Guyana seeks to specialize increasingly in live-stock production. A further factor is that Canadian meats (particularly fresh meats) are very often uncompetitive with those of Australia, New Zealand and other major suppliers.

d) *Wood Products*—Canadian exports of lumber and other wood-products have fluctuated fairly widely over the past two decades. There is probably little prospect of increasing them much from present levels.

e) *Other Traditional Exports*—Exports of animal feeds have continued to decline in both absolute and relative terms. Increasing import substitution and growing competition from the United States appear to be the major factors. Dairy exports have also decreased in consequence of import substitution drives in several countries and competition from other supplying countries, several of which subsidize dairy production. Exports of Canadian fruits and vegetables will probably fall as plans for import-replacement progress, in some cases even specifying tropical substitutes.

APPENDIX "E"

Immigration from British Honduras, Bermuda, Guyana and the Caribbean Islands

<i>Country</i>	<i>1964</i>	<i>1965</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>	<i>1969</i>
British Honduras.....	5	8	10	33	23	43
Bermuda.....	82	120	198	179	192	222
Jamaica.....	912	1,214	1,407	3,459	2,886	3,889
Trinidad.....	467	775	1,113	2,325	2,393	5,582
Tobago.....	4	5	14	15	26	49
Barbados.....	422	560	699	1,181	821	1,242
Anguilla.....	—	—	4	7	6	3
Antigua.....	35	52	50	114	148	196
Bahama Islands.....	21	22	30	74	61	136
Barbuda.....	—	—	—	2	—	3
Cayman Islands.....	—	1	5	6	5	14
Dominica.....	22	22	42	105	99	152
Grenada.....	32	48	82	139	120	281
Montserrat.....	17	19	12	25	26	62
Nevis.....	1	6	6	15	18	28
St. Kitts.....	22	38	40	107	63	183
St. Lucia.....	31	41	52	135	73	148
St. Vincent.....	82	117	185	250	220	361
Turks & Caicos Islands.....	—	—	1	—	—	—
Virgin Islands, British.....	1	1	—	3	1	9
Br. West Indies, n.e.s.....	3	5	4	—	3	—
Guyana (Br. Guiana).....	614	609	628	736	823	1,865
TOTAL.....	2,773	3,663	4,582	8,910	8,007	14,468

April 10, 1970.

Prepared by: Information Analysis Unit,
Programs & Procedures Branch,
Immigration Division.

Source: Tabulation of Landing Records.

APPENDIX "E" (Concluded)

Migration From Countries Bordering on the Caribbean Sea

<i>Country</i>	<i>1964</i>	<i>1965</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>	<i>1969</i>
Costa Rica.....	3	10	37	3	21	21
El Salvador.....	3	1	2	4	5	3
Guatemala.....	9	6	3	14	13	41
Honduras.....	9	5	5	7	22	41
Nicaragua.....	—	2	5	10	5	25
Panama.....	5	7	11	13	13	25
Cuba.....	29	23	27	34	45	44
Dominican Republic.....	7	22	8	39	23	38
Netherlands West Indies.....	15	30	40	30	27	46
Guadeloupe.....	3	1	3	16	16	25
Haiti.....	62	88	84	291	444	550
Martinique.....	3	3	11	11	22	7
Mexico.....	136	147	114	318	245	377
Venezuela.....	336	310	317	374	206	297
Columbia.....	74	47	79	87	131	200
Total.....	694	702	746	1,251	1,238	1,740

Prepared by: Information Analysis Unit,
Programs & Procedures Br.,
Immigration Division.

Source: Data Processing Tabulations.
May 5, 1970.

APPENDIX "H"

INDEX OF COMMITTEE PROCEEDINGS RESPECTING THE CARIBBEAN AREA

(First and Second Sessions—28 Parliament)

Explanatory Notes

This is an Index of the Proceedings of the Standing Senate Committee on Foreign Affairs respecting Canada-Caribbean Relations. These studies were carried out during the First and Second Sessions of the 28th Parliament.

The printed Proceedings of the First Session are paginated consecutively (e.g., 9, 87, 127); however, for the Second Session, each

issue is paginated separately (e.g., 2:17; 9:16, 17, 18). Sessions are separated by a double asterisk (**).

* * * * *

For list of witnesses, titles, dates and issue numbers, see Appendix "A" of Committee's Report, which appears immediately preceding this Index.

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Second Session—Twenty-eighth Parliament

1969-70

THE SENATE OF CANADA

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

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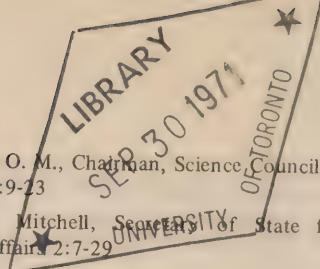
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